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# West Europe Report

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POLL SHOWS ONLY ONE IN THREE FAVOR NATO TNF DECISION

Copenhagen BERLINGSKE TIDENDE in Danish 24 Dec 79 p 9

[Article by Asger Schultz, director, Gallup Institute]

[Excerpt] The great majority of voters have been following the discussion for or against nuclear missiles for the NATO defense system, the so-called cross missiles.

Even if this discussion has left the general impression that the nuclear balance in Europe has shifted to the disfavor of Western Europe, this has not caused the majority of Danish voters to adopt the position that the NATO defense system, consequently, ought to be strengthened.

This as well as other things appear from a poll taken by the Gallup Institute to elucidate the reaction of the Danish people to the current discussion.

A representative section of all adults was asked four questions, the first one of which ran as follows:

"There have been discussions for some time to provide the NATO defense system with new and more effective nuclear missiles as a counterweight to the so-called SS-20 missiles. Have you heard or read about this discussion?"

In the following survey, the answers have been distributed on a few selected population groups:

	<u>Yes</u>	<u>No</u>	<u>No</u> <u>Opinion</u>	<u>Total</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Total .....	82	10	8	100

Political affiliation:

Parties to the left of the Social

Democratic Party .....	96	3	1	100
Social Democratic Party .....	82	11	7	100
Other center parties .....	91	6	3	100
Other non-Socialist parties .....	85	8	7	100

Sex:

Male .....	90	6	4	100
Female .....	73	14	13	100

Age:

15-19 years .....	71	11	18	100
20-24 " .....	80	18	2	100
25-29 " .....	89	7	4	100
30-39 " .....	86	9	5	100
40-49 " .....	84	9	7	100
50-59 " .....	81	9	10	100
60-69 " .....	86	8	6	100
70 years or above .....	70	11	19	100

Schooling:

Elementary school .....	77	13	10	100
Intermediate school/secondary school preparing for commercial or similar career .....	85	8	7	100
Secondary school certificate/Higher preparatory examination* .....	98	1	1	100

"For" or "Against" NATO:

For .....	90	7	3	100
Against .....	88	8	4	100
No opinion .....	58	19	23	100

As appears from the above, 82 percent of the population has been following the current debate. Not all population groups have been following the debate to the same extent. Those least involved have been women, the young and the elderly, voters of the government party, and those with least education. This pattern is not unusual.

\* [Translator's note: HF = Højere forberedelseseksamen; this exam also gives access to Danish universities.]

The next question asked ran as follows:

"Do you find it right for NATO to modernize and supplement its existing equipment with more effective nuclear missiles as a counterweight to the new SS-20 missiles of the Soviet Union, or do you find that it will be wrong?"

Distributed according to whether or not those asked had been following the current debate, the answers were as follows:

	<u>Right</u>	<u>Wrong</u>	<u>No Opinion</u>	<u>Total</u>
	%	%	%	%
Total .....	31	43	26	100
Followed debate .....	37	47	16	100
Did not follow debate .....	6	43	51	100

The position which was actually adopted at the NATO meeting is shared by only one in three of the voters (31 percent), while a relative majority (43 percent) oppose the modernization.

In view of the significance one might attach to the question, it may be said that relatively many (26 percent) have not taken a position on the question.

The following survey shows the answers of those responding who have been following the debate, distributed on the same population groups as in the survey in the foregoing:

	<u>Right</u>	<u>Wrong</u>	<u>No Opinion</u>	<u>Total</u>
	%	%	%	%
Total .....	37	47	16	100

Political affiliation:

Parties to the left of the Social

Democratic Party .....	12	83	5	100
Social Democratic Party .....	36	48	16	100
Democratic Center, other center parties .....	22	65	13	100
Other non-Socialist parties .....	56	24	20	100

Sex:

Male .....	45	41	14	100
Female .....	28	53	19	100

(cont.d)

	<u>Right</u>	<u>Wrong</u>	<u>No Opinion</u>	<u>Total</u>
	%	%	%	%
Age:				
15-19 years .....	41	48	11	100
20-24 " .....	23	66	11	100
25-29 " .....	35	59	6	100
30-39 " .....	34	47	19	100
40-49 " .....	40	40	20	100
50-59 " .....	41	40	19	100
60-69 " .....	43	38	19	100
70 years or above .....	41	37	22	100

Schooling:

Elementary school .....	38	43	19	100
Intermediate school/secondary school preparing for commercial or other similar career .....	38	47	15	100
Secondary school certificate/higher preparatory exam .....	33	59	8	100

"For" or "Against" NATO:

For .....	57	27	16	100
Against .....	9	84	7	100
No opinion .....	23	46	31	100

Among these voters, i.e. the voters who have been following the debate, nearly half of them (47 percent) opposed the NATO decision, while only a little more than one in three (37 percent) favored it.

However, as appears from the survey, the opinions differ widely. Most men favor the modernization, while the women are clearly against it. The level of education also plays a decisive role. The best educated ones are most strongly opposed to the new missiles.

Age also plays a role. The somewhat older ones (over 50 years of age) are most positive towards the NATO decision.

Political affiliation plays a great role. The extreme left is clearly against the modernization, while the four non-Socialist parties to the right of the center clearly favor it. There is a great difference between the center parties, which in the table have been shown separately, although the statistical uncertainty is great, as far as the small parties are concerned. The position of the Democratic Center is diametrically opposed



to that adopted by the two other center parties. The Democratic Center clearly favors the NATO decision. It is no surprise that the opponents of NATO oppose the new missiles, but it is worth noting that only a little more than half the NATO supporters (57 percent) favor a modernization, and that more than one in four (27 percent) even oppose it.

To elucidate the difficult question concerning the nuclear balance in Europe, the following question was asked:

"It has been said that, as a result of the new Soviet nuclear missiles, the Soviet Union and the Warsaw Pact countries are now better equipped with nuclear weapons in Europe than the NATO countries. Is this, in your opinion, correct or wrong?"

The opinions of the population were as follows:

	<u>Correct</u>	<u>Wrong</u>	<u>No Opinion</u>	<u>Total</u>
	%	%	%	%
Total .....	48	18	34	100

Party affiliation:

Parties to the left of the Social				
Democratic Party .....	29	36	35	100
Social Democratic Party .....	49	15	36	100
Democratic Center .....	51	31	18	100
Other center parties .....	35	21	44	100
Other non-Socialist parties .....	57	15	28	100

Sex:

Male .....	52	21	27	100
Female .....	42	16	42	100

Age:

15-19 years .....	58	13	29	100
20-24 " .....	58	18	24	100
25-29 " .....	45	27	28	100
30-39 " .....	40	19	41	100
40-49 " .....	43	24	33	100
50-59 " .....	42	18	40	100
60-69 " .....	49	14	37	100
70 years and above .....	55	11	34	100

(cont.d)

	<u>Correct</u>	<u>Wrong</u>	<u>No Opinion</u>	<u>Total</u>
	%	%	%	%
Schooling:				
Elementary school .....	46	17	37	100
Intermediate school/secondary school preparing for commercial or other similar career .....	52	18	30	100
Secondary school certificate/Higher preparatory exam .....	45	27	28	100

"For" or "Against NATO:

For .....	61	14	25	100
Against .....	35	30	35	100
No opinion .....	27	14	59	100

The fact that one in three (34 percent) answered "no opinion" to this question shows that it appears difficult to take a position on it. But, beyond that, there is a great belief in the claim advanced that the balance has shifted in the disfavor of Western Europe, and, incidentally, as it appears from the survey, there is considerably greater agreement on this point. Actually, only the extreme left wing is predominantly of a different opinion.

In the table below, the answers have been distributed according to the answers to the question regarding the stationing of new missiles.

	Total	East Now Strongest	East Now Not Strongest	No Opinion
	%	%	%	%
For new missiles .....	37	56	25	18
Against new missiles .....	47	34	69	52
No opinion .....	16	10	6	30
Total .....	100	100	100	100

As it appears from the above, only a little more than half (58 percent) of the voters who are of the opinion that the East Bloc is now strongest, favor new missiles, while even one in three (34 percent) opposes it. It is more immediately intelligible that 69 percent of those who are of the opinion that the East Bloc is not superior, oppose the deployment of new missiles. However, it is here probably a question of voters who are primarily against the deployment of new missiles and afterwards rationalize the question of the balance of arms.

The discussion has also touched on the question of possibly stationing nuclear weapons in Denmark. This question was also touched on in the election campaign, and the prime minister stated that such a stationing of nuclear weapons in Denmark, at the present time, is completely out of the question.

To elucidate the position of the people on this question, the question was finally asked:

"Unlike most other NATO countries, Denmark has not stationed any nuclear weapons on its own territory. If NATO finds that it will be necessary for the common defense to station nuclear weapons in Denmark as well, must Denmark then, in your opinion, reject the nuclear weapons, or are you of the opinion that we must, in that case, accept them?"

The position of the population was as follows:

	<u>Must Reject</u>	<u>Must Accept</u>	<u>No Opinion</u>	<u>Total</u>
	%	%	%	%
Total .....	63	24	13	100
Party Affiliation:				
Parties to the left of the Social				
Democratic Party .....	88	9	13	100[as pub-
Social Democratic Party .....	67	21	12	100 lished]
Democratic Center .....	54	30	16	100
Other center parties .....	76	5	19	100
Other non-Socialist parties .....	45	39	16	100
Sex:				
Male .....	61	28	11	100
Female .....	66	19	15	100
Age:				
15-19 years .....	70	24	6	100
20-24 " .....	69	25	6	100
25-29 " .....	67	23	10	100
30-39 " .....	67	19	14	100
40-49 " .....	59	26	15	100
50-59 " .....	64	24	12	100
60-69 " .....	59	28	13	100
70 years or above .....	50	27	23	100

(cont.d)

	<u>Must Reject</u>	<u>Must Accept</u>	<u>No Opinion</u>	<u>Total</u>
	%	%	%	%
Schooling:				
Elementary school .....	61	24	15	100
Intermediate school/secondary school preparing for commercial or similar career .....	59	31	10	100
Secondary school certificate/Higher preparatory exam .....	80	13	7	100

"For" or "Against" NATO:

For .....	47	38	15	100
Against .....	90	5	5	100
No opinion .....	67	13	20	100

"Do you find that it will be right for NATO to modernize and supplement its arsenal with effective nuclear missiles as a counterweight to the new SS-20 missiles of the Soviet Union, or do you find that it will not be right to do so?"

Right .....	38	50	12	100
Not right .....	91	6	3	100
No opinion .....	41	17	42	100

"It has been said that, as a result of the new Soviet nuclear missiles, the Soviet Union and the Warsaw Pact countries are now better equipped with nuclear weapons in Europe than the NATO countries. Do you believe this to be correct or not correct?"

Correct .....	52	36	12	100
Not correct .....	82	12	6	100
No opinion .....	68	14	18	100

The position of the government is thus well in accordance with the views of the voters. Even supporters of our NATO membership are relatively pre-dominantly against nuclear weapons in Denmark. From a party policy point of view, only the voters of the Conservative People's Party and the Christian People's Party favor stationing of nuclear weapons in Denmark, if necessary. Also the Democratic Center clearly opposes it.

Among those who adopt the view that the new missiles ought to be deployed, but only 37 percent does that, the majority takes the consequence of this, supporting the stationing, if necessary, of nuclear weapons in Denmark, but this conclusion is not drawn on the basis of the point of view that the East Bloc is the strongest.



If, finally, on the premisses of NATO that the balance of power has shifted, and that it, therefore, becomes necessary to deploy better missiles, the population is asked whether it supports this line of thought, the section of the population supporting it, if noticed at all, constitutes approximately 22 percent, i.e. somewhere between one in every four or five of the total number of voters.

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TNF, NATO DEFENSE POLICIES OF NEW THATCHER GOVERNMENT

Paris DEFENSE NATIONALE in French Oct 79 pp 134-136

[Article by Claude Monier: "The Conservative Government and British Defense"]

[Text] Since coming to power at the beginning of May 1979, the conservative government has been emphasizing defense policy. It is recalled that the Soviet military threat played an essential part in the election campaign. The debates on defense in Commons on 26 and 27 March had provided the Tory leaders a clear perception of their options.

In the absence of any precisely defined defense platform prior to the elections, the positions taken during those debates revealed several focal points of interest, which are today chapter headings in the conservative government's defense policy.

Support of NATO Reaffirmed

The British intent to fulfill a "positive and dynamic" role within NATO was made clear at the meeting of the ministers of the NATO Defense Plans Committee on 15 May. There, Mr Francis Pym, the British minister, accepted, together with the other ministers on the committee, the commitment to a defense budget increase of 3 percent annually in real terms until 1986, and affirmed "the intent of Her Majesty's Government to fully support NATO."

Modernization of the Deterrent Force

In her speech from the Throne, Mrs Thatcher had stated her intent to "maintain the effectiveness of the British deterrent force." Mr Francis Pym reiterated that statement, stressing the urgency with which his government views the need to modernize the European theater's nuclear forces, and especially the British strategic force.

The fact is that American abandonment of the Polaris program, planned for 1984-1985, will impose upon the United Kingdom a decision to modernize its strategic force by 1990. This inescapable decision had long been deferred by the previous labor government for various reasons.

The British commitment to NATO suggests that the conservatives favor combining the present, eventually modernized, British strategic force with new types of nuclear weapons such as cruise missiles.

Whatever the solution to the future of the British strategic force (Poseidon, Trident or cruise missiles), Great Britain will need the United States.

#### European Cooperation

A third indication of Britain's new defense policy seems to point toward the developing of greater European cooperation in matters of defense. The conservative leadership's strong attachment to NATO does not exclude a desire on its part for closer coordination of defense policies among the European countries through consultations between the EEC and NATO in matters of common interest. The Thatcher government, in fact, deems that "much can be done within the Community to coordinate its armaments industries, especially in the domain of very high-cost technologies."

The conservatives are clearly concerned with safeguarding the activities of the national armaments industries.

#### Improvement of Air Defenses

To shore up the weaknesses in the United Kingdom's air defenses that had alarmed Parliament in September 1978, a number of short-term measures designed to reduce the lag in this domain, the "Air Defense Gap," were announced on 27 July 1979. These included:

- creation of an additional squadron of Lightning interceptors, taking planes out of storage;
- improvement of the weapons systems in the RAF's Phantoms;
- equipping of Hawk trainers with two Sidewinder missiles each for low-altitude defense of certain vital points.

Obviously, these "patch up" measures do not resolve the basic problem; two or three interceptor squadrons are still needed. Unless a decision is made to procure (or lease) new planes from the United States, the RAF will find itself in a critical situation until the air defense version of the Tornado is put into service; the first of these planes to come off the production line is not scheduled for delivery before 1985.

## Military Pay Raise

As soon as it took office, the Thatcher government granted a pay increase of 8.3 percent, thus restoring parity of military and government employee purchasing power. This raise followed the 24.2 percent increase granted by the previous government. The British armed forces are concerned over the decrease in officers and skilled personnel (the shortage of pilots will number 200 in 1980, or 7 percent of authorized strength). This situation appears on the way to improving; since August there has been an increase of enlistments.

## Renewed Interest in Overseas Intervention Capability

The parliamentary debates on defense have made clear the concern of the conservatives for restoring to Great Britain the means of intervention outside the zone covered by the Atlantic Alliance. Certain deputies have advocated the reconstitution of the "Joint Airborne Task Force" (airborne interforces intervention force) as it existed before 1974.

To date, there has been no follow-through of this initiative.

It must be recognized, however, that several measures had already been put into effect by the labor government with the object of improving intervention capability. These included:

- the ordering of 15 Seaking helicopters for the Royal Marines (August 1978);
- the refitting of the assault-helicopter carrier "Bulwark" (February 1979);
- the creation of an additional paratroop battalion (April 1979).

## Conclusion

In sum, the Thatcher government's defense policy to date has resulted in:

- a commitment to increase the defense budget;
- measures to improve air defenses;
- a restorative pay increase.

The decision to improve the nuclear strategic force appears to have been taken, but the technological choice for this modernization is not yet known.

In any case, the present government is showing more concern than the previous one with the problems of defense.



Rationalistically European, the conservatives remain fundamentally Atlanticists: The cohesive bond between the Tory party and the United States must never be underestimated.

9399

CSO: 3100

## LUXEMBOURG OPPOSES FRENCH NUCLEAR PLANT PROJECT

Brussels LE SOIR in French 22 Dec 79 p 3

[Article by Mario Hirsch: "Luxembourg Uneasy About French Nuclear Project Near its Border"]

[Text] French plans for construction of a gigantic nuclear power plant in Cattenom on the Moselle River less than 10 kilometers from the Luxembourg border have triggered sharp objections in Luxembourg. In late November, parliament had unanimously passed a motion urging the government to use all available diplomatic and legal means to block implementation of these plans which would pose a threat to the entire population of Luxembourg.

During that same period, it was learned that France intended to increase the power plant's capacity from 4,400 megawatts to 5,200 megawatts. This would make it the most powerful nuclear concentration in the world within a densely populated region. The Luxembourg Government learned of this fait accompli through a press release issued by the prefecture of the Lorraine region.

Public protests were so great that all Luxembourg political parties and labor organizations agreed to form a national action committee headed by the president of the parliament. Foreign Minister Gaston Thorns emphasized that the government would exert every effort, before anything else, to preclude jeopardizing the Remerschen site, the only one in Luxembourg suitable for a nuclear power plant. The Remerschen nuclear power plant project was temporarily blocked by an antinuclear vote of the PS [Socialist Party] in 1977 when that party constituted the government with the Liberals. The new coalition between the PSC [Social Christian Party] and the PL [Liberal Party] has promised not to pursue this project for the next 5 years. When visiting the President of the French Republic on 19 December, Prime Minister Pierre Werner informed him of Luxembourg objections and misgivings. This effort by Werner was semisuccessful inasmuch as the French authorities said they were willing to reconsider plans for expanding the Cattenom power plant and submit the entire case to the Luxembourg Government. Werner explained that the French officials with whom he had spoken were especially responsive to the argument that the Cattenom project could permanently compromise the

chances of a possible Luxembourg power plant. This limited and ambiguous success will certainly not disarm the opponents of nuclear power in Luxembourg, particularly since they suspect the government of not using all of its "clout" while at the same time still continuing to cherish the dream of building a Luxembourg nuclear power plant.

8041

CSO: 3100

## ARMY TESTS NEW DEFENSE CONCEPT IN MANEUVERS

Bonn DIE WELT in German 27 Nov 79 p 5

[Article by Carl Gustaf Stroeheim: "'Hats Off to the Austrians,' Applauded the Romanian. The Russian, However, Remained Lukewarm"]

[Text] The Swiss division commander, normally fairly taciturn, suddenly seems galvanized. With tank infantrymen lying on their tracked vehicles a few steps away from us, their faces blackened with soot, machine guns at the ready, he starts talking in a rush of words: "Up to now, we have had the wrong impression of the Austrian Bundesheer [Federal Army]. We thought that their defensive capability was hardly worth mentioning. Now I can go home with my mind more at ease: If the Austrians can hold out only 4 of 5 days in an emergency, this would be very significant for us."

The high-ranking officer from neutral and "defense-minded" Switzerland was only one of several dozen foreign observers from East and West who were guests at the biggest Austrian maneuvers to date. Up to 34,000 men and almost 500 tanks and other tracked vehicles were involved. The scenario called for repelling an enemy offensive from east to west through the Lower Austrian Danube Valley between Melk and Ybbs.

This area, along with the Brenner Pass (the link between Central Europe and Italy) and along with the invasion portal to Yugoslavia and Upper Italy in the region of Carinthia and Styria, is considered to be one of the most vulnerable points in Austrian defense planning.

The Exercise: Hold a Key Area

The army, which had up to now been treated rather like a stepchild by Vienna politicians of all parties, from the Socialists to the OeVP [Austrian People's Party] opposition, gave an impressive account of itself. While visitors from the Soviet East Bloc, especially a Russian general, remained cool, there was high praise from the military men from communist countries independent of Moscow. A high-ranking Yugoslav officer expressed his agreement with the fact that Austria based its defense upon "popular" support. He saw in this certain parallels with his own country's military policy. A Romanian

colonel burst into superlatives: "Hats off to the Austrians. They are doing a fantastic job."

The Austrians practiced the "defense-in-depth" concept: holding a "key zone," situated in front of an "area security zone," against an enemy's invading army. This Austrian defense principle has often been confused with partisan operations and small-scale warfare. But Army Commander General Emil Spannocchi specifically emphasized while on the maneuver battlefield that the objective was not at all to spread the battle to the extent that in the end only commandos and displaced "partisans" would remain behind enemy lines. The objective is rather to hold essential portions of one's own territory (the key zones), so as to preserve Austria as a sovereign state in case of war. In the area security zones, however, the adversary is to be harrassed and weakened by commando actions. This would force him to deploy infantry troops which he might possibly require elsewhere.

Spannocchi refers to this concept as a "preventive stragegy," an Austrian version of the concept of deterrence. Should an enemy attack nevertheless, he should be aware that occupation and transit would come at a high price.

The army, having completed the first stage of converting to a type of militia system, demonstrated a surprising work load capacity. In the worst possible weather conditions--slush and rain lasting for days--the reservists who frequently had just recently been called in from their offices and factories squatted in their foxholes, often up to their knees in mud. There was military griping but discipline and morale were excellent.

Most importantly, the area population participated in the maneuver. The farmers did not complain, though they had been displaced from their living rooms and favorite taverns because they were needed for military staffs or first aid stations, and though they had to park their tractors in the rain because the barn was needed to hide a tank in. They served their military guests home-made schnapps and smoked bacon.

When some foreign maneuver observers lost their way and asked the whereabouts of one unit's command post they had been invited to visit in a small village in Lower Austria, none of the civilians they approached would say a word: They had been urged not to give any kind of information about military installations to the "enemy" or suspicious-looking strangers.

Armored assaults by the "Orange" attack forces were practiced during a heavy snowstorm. At the same time, the "Blue" defenders attempted to halt the invasion by blowing up bridges, counterattacking on the flanks and by engaging in street fighting. Sandbag barricades and mortar positions suddenly appeared in what are normally quiet, comfortable little towns. A memory of long-ago calvary days was conjured up when an attack bugle call sounded during a tank attack. Bu then the tank troops executed an entirely modern attack that elicited high praise from the foreign experts.

Interaction between the army and the population, an old subject of discussion, appeared to have been realized in the mud and snow storms of Lower Austria. The young soldiers, stressed to the limits of endurance, gave a good account of themselves: There were certain training deficiencies which raised the question of whether a 6-month tour of military duty is sufficient to indoctrinate a draftee on how to act under field conditions. It was easy to see differences in the physical fitness of "lowlanders" as compared to that of the Carinthian, Tyrolean and Styrian "alpine soldiers" who know from early childhood how to move in the mountains, and therefore under field conditions. High-ranking Austrian officers referred to air cover and antiaircraft as their Achilles heel; likewise the lack of antitank guided missiles, which are prohibited for Austrian use under treaty terms.

In the meantime, the Austrians substitute artillery that is deployed in so-called fixed positions. Some of this consists of American 15.5 centimeter guns, some of British 10.5 centimeter Centurion tank guns which, emplaced in strategically placed bunkers throughout the country, are intended to arrest the enemy's advance. The new Austrian Kuerassier II tank destroyer, which was demonstrated to the foreign military observers during these maneuvers, is a part of this concept. The tank destroyer, strictly speaking an antitank cannon mounted on a self-propelled gun carriage, is now equipped with a fully automated fire control system and a weapons system stabilizer as well as night vision capability. This enables it to fire while in motion, and even the first round can hit the target.

#### Demonstration of Effectiveness Using Weapons Dating from yesteryear

But this showpiece of Austrian antitank defense is much more expensive compared with antitank rockets. This raises the question for Austrian politicians of whether they can continue to assume responsibility for letting an excellent army proceed into a potential crisis, or even a military conflict of the 1980's equipped with weapons dating from the 1950's and 1960's.

But one thing became clear on the maneuver battlefield: The army is much more attractive than the Vienna politicians had thought it to be up to now. No matter that old veterans, the troop commanders with the rank of general, still had the greatest visibility, the greatest impression was made by the corps of junior officers: Captains, majors and lieutenant colonels in their early 30's to early 40's, who were not yet born during World War II and are products solely of the postwar period. These military leaders of the future have no illusions; furthermore, they display sober political judgment. Seeing them reminds one of the old Prussian saying: "More essence than appearance!"

Despite all material calamities besetting it, the Austrian armed forces have a considerable advantage in comparison with the German Bundeswehr: It is an army serving an undivided nation which is not suffering from identity problems. It is obvious that even under optimal conditions, the Austrian army does not stand a chance alone against an attacking major power. But if it sticks to its concept, it can become a significant military factor similar to the army of Switzerland.

9273

CSO: 3103



## DESMARETS DISCUSSES DOMESTIC, POLITICAL PROBLEMS

Brussels LA LIBRE BELGIQUE in French 17-18 Nov 79 pp 1, 26

[Interview of Jose Desmarets, vice prime minister and minister of national defense by G. Dz.--date and place not given]

[Text] For the first time the new vice prime minister and minister of national defense, the social-christian Jose Desmarets takes stock of the political situation. He doesn't hide any of the difficulties, provoked notably by the parallelism of social and community problems and he launched an appeal to public opinion for support for the "courageous efforts" of the government.

[Question] The government has just presented its legislative program to parlement. But agreement on social aspects failed.

[Answer] Can we speak of a rupture? Apparently yes, since some "maybe's" have turned into categorical "no's." Nevertheless I believe there is a general consensus, even with the most reserved socialist partners, on the preliminary agreements presented by the government on the night of 27 October.

True, in the last analysis it is the task of the public power to take up its responsibilities, which in a way is a restoration of the classical rules of the game. The government negotiated as much as it could with socialist spokespersons with the time and patience necessary. No one could blame us today if in the face of the absence of a formal agreement we had done our duty in presenting the bills to parlement. That's democracy, and it is what perhaps distinguishes this government from the others: In effect we are being driven to be courageous.

[Question] That's easily said.

[Answer] Being a newcomer to the seat of government, I am struck by how much the ministers of all the parties, and especially the prime minister, have decided to push forward. That's what political courage is, and we are

going to prove it. Besides, we don't have much choice and I think the public is ready today to listen to the language of truth, to take the measure of the crisis complicated by the Iranian incident, and I am sure it appreciates the efforts of the government to govern decisively.

[Question] And the parlement in all this?

[Answer] The parlement will not be presented with a fait accompli; it will have time to discuss the contents of the legislative program. Further, dialog with socialist colleagues has not been broken off. Didn't we decide to consult with them again before presenting the social security reform act and the statute on independants? We have also decided to open negotiations with spokespersons joining doctors and insurance companies to government and socialist colleagues, called the St. Jean agreements. This participation by interested parties is very important for the application of certain measures concerning fee for services.

Truly, I assure, dialog has not been broken off, for we want to meet social conditions with the appropriate legal dispositions. I have the hope that no one will rock the boat by demonstrations which will make things impossible not only fiscally and socially but also on the community level.

[Question] You have a calendar problem....?

[Answer] Effectively, there are only 5 weeks left to Christmas to vote the ways and means budget--imperative for the financial life of the state--and the legislative program and in addition agreement must be reached as regards social security reform. There have been delays and the situation is getting out of hand. The government has decided to go forward whatever the risks and perils; I hope we will have the support of public opinion. Everyone is agreed on the diagnosis: the crisis is serious, social security is on the verge of bankruptcy, and the business in difficulty are countless. But the egoism of groups means that only a few politicians still stand up for the general good in concern for equilibrium and want to proceed to a real clean-up.

[Question] ...and to proceed to new fiscal pricks!

[Answer] That's not the only thing: don't forget the efforts to accomplish something in favor of families, lower income groups, and the separation of marital incomes.

[Question] The FGTB [General Federation of Labor of Belgium] opposes this tax loophole for families?

[Answer] I don't understand the socialist attitude and especially the Walloon socialists, who say family policy should not be made through fiscal policy and that too much is being done for families and not enough for

households where both spouses work. Frankly, are they aware of the catastrophic demographic situation in Walloon and Brussels? Besides, measures in favor of these households have been taken also.

[Question] The independents are complaining too.

[Answer] In the preliminary agreement, it was clearly stated that the planned levy of 800 million supplementary taxes is tied to the regime's clean-up and stabilization program for the pension of independents. In this matter, we too are compelled to a certain parallelism. I would also like to emphasize that we have avoided subscribing to the principles held by the legislative program in taking off ceilings on all taxes, particularly damaging to the cadres for whom tax exclusions will also play a role.

[Question] There is also a supplementary tax being charged some enterprises.

[Answer] This measure affects about 100 firms only, those coming through the crisis under the least bad conditions. On the contrary we are following a policy of fiscal advantages aimed at encouraging investment.

[Question] The legislative proposal on the right of preemption has also caused some waves.

[Answer] At the PSC as elsewhere, serious consideration is being given to amending the text and it is necessary to press for the most balanced solutions.

#### Deadlines Are Not Sacred

[Question] Another deadline fixed for the end of the year is for adoption of a text on the "transitory and irreversible" phase of community agreements.

[Answer] We are for respecting the agreements already concluded. The government has presented bills taking these agreements into account as well as the views of the State Council. Here too, there is a calendar being respected by the government and its up to parliament to see that it is adhered to.

[Question] And in this area, there are only 5 weeks to go.

[Answer] I have never had a fetish about dates. Bill 461, stymied by the Egmont-Stuyvenberg pact, met its fate because some had questioned the agreements, but also because some others had inconsiderately fallen into a fetish about dates. I believe since then that a certain parallelism between community, social, economic, and financial bills must be maintained, but without necessarily considering that dates are sacred. We must confront two challenges, the community and the socioeconomic-financial; it is sufficiently important that the essence which is to realize these diverse objectives, dominates the form, which is a simple affair of the calendar.

## REASONS FOR PQ BY-ELECTION DEFEATS ANALYZED

## Precise Results; Some Causes

Montreal LA PRESSE in French 15 Nov 79 p A 4

[Article by Marcel Adam: "A Crushing Defeat for the Quebecois Party"]

[Text] The Parti Quebecois [PQ] suffered a crushing defeat in the by-election yesterday in the three counties of Maisonneuve, Prevost and Beauce-Sud.

The results are not surprising after what was learned some weeks ago from various polls, but they are objectively surprising in light of the fact that in Quebec the governmental party traditionally wins the election, and because in this case the governmental party did not even succeed in keeping the two seats it already held, whereas it retains a high degree of satisfaction in the general population.

This paradoxical situation especially worried the Pequiste government, which has not won a by-election in a year and a half and will obviously on the 26th in English-speaking and traditionally liberal d'Arcy McGee County.

It is true that the PQ had no hope of easily winning solidly liberal Notre Dame and Jean Talon Counties, nor Argenteuil County, which is made up of a heavy proportion of English-speaking people and where the head of the Liberal Party, Claude Ryan, campaigned. But it might have envisaged getting more votes, at least in Argenteuil and Jean Talon, thanks to the great popularity the Levesque government was then enjoying. Quite the opposite: its electoral base came out of this by-election eroded.

In the three counties where elections took place yesterday the Parti Quebecois considering tradition and its popularity, should have held onto the two counties of Prevost and Maisonneuve, and could have hoped to win Beauce-Sud, because of the support of Fabien Roy, who is still that district's favorite son.

But in Prevost the Liberal Party candidate wins with a higher majority than the Pequiste candidate, Jean-Guy Cardinal, obtained in 1976; in Maisonneuve, which Robert Burns has made an apparently impregnable Pequiste fortress since 1970, goes to the Liberals with a very comfortable majority; Beauce-Sud County, though it has been Creditist for several years, goes Liberal.

However, we emphasize that in the latter district the Parti Quebecois considerably improved its performance over 1976. But that is the only consolation the Parti Quebecois can derive from the three by-elections.

There was a remarkably high participation in the elections, especially in the two rural counties. This shows how important they were to the voters.

How can the Parti Quebecois' crushing defeats be explained? It is difficult to extract one major cause.

One might see in them once again confirmation that the PQ's 1976 victory chiefly signified rejection of the Liberal government, especially of the style of leadership embodied in Robert Bourassa. The PQ had also profited from the division of the opposing vote due to the temporary ascendancy of the National Union.

Since 1976 we have been seeing the Parti Quebecois return to its true dimension in the electoral area. As the National Union is headed for extinction following the polarization caused by the referendum debate, the Liberal Party is manifestly profiting from the voters' reconversion.

Even though the constitutional problem was not the dominant stake in these by-elections, it certainly counted for a great deal. The idea may also be supported that the elections are in a way a preview of the referendum.

Other factors of unequal importance also enter into consideration.

Claude Ryan's arrival at the head of the Liberal Party considerably increased that Party's prestige and credibility. Which not only contributed to the return to the fold of the Party's voters, who had partially deserted it in 1976, but also attracted new elements, pulled from the other parties.

Nor should certain other factors be neglected, such as the quality of the opposing candidates, nor the type and effectiveness of the organizations that were fighting each other. On the latter point it should be recognized that the Liberal Party knew better than the PQ how to maintain its cohesion and unity, that it succeeded better than the PQ in applying the electoral methods the latter had perfected and had been so well served by in the past, notably in 1976.

Finally, the social climate probably played a role in this election, especially the strikes in officialdom and the hospitals, but perhaps not as much as some believe, judging by the popularity the government retains in spite of everything.

In last spring's by-election, Prime Minister Levesque saw a serious test for his government. The defeats it has just suffered certainly augur ill for his government.



## Role of Government

Quebec LE SOLEIL in French 15 Nov 79 p A 7

[Article by Gilles Lesage]

[Text] Three years ago, with elation and euphoria, the Parti Quebecois was celebrating the election of 71 deputies. But no one is hanging out flags, and it is no longer a time for rejoicing the day after a triple crushing defeat, the harbinger of even more difficult days and months to come.

It will be a long, sad winter, for this blow falls at the most critical possible time, just after the publication of the white paper on sovereignty-association, and perhaps on the eve of a brutal confrontation with union members from the public sector.

The inevitable disenchantment will be loaded with agonizing challenges, interminable revisions of strategy and tactics, perhaps even with the settling of scores. While performing an autopsy on yesterday's beating, the PQ must also work out emergency solutions, beneath a heavy and nearly overcast sky.

Of course the election of the Liberal candidates will be explained by all sorts of local considerations and circumstances, from the calibre of the candidates to internal friction in the PQ, all the way up to the hypothetical social climate of real or dreaded strikes. But because of the magnitude of the Liberal victories there is also a terrible judgment on the government, which has been in a bad way.

It is as if, through the magic of thousands of little exes in the voting booth, everything the "true" and "good" government had been doing for three years was crossed out in a single stroke. And everything--or nearly everything--must be begun all over again.

### A Remarkable Balance Sheet

However, after three intense and fragile years this government's balance sheet is far from insignificant; in some respects it is even remarkable. Let us review it quickly, in case it should not have a fourth anniversary.

On the eve of the 1976 election the PQ made eight precise promises that in large part it kept: to create a new automobile insurance system; to revive agriculture; to abolish secret electoral funds; to improve free health care; to develop housing; to increase aid to municipalities; to return to economic prosperity; to reestablish social peace. On the first six points the PQ largely kept its word, but on the last two its efforts were not successful in creating the new "social contract" that the euphoria of 15 November provided a glimpse of.

In the cultural and social sectors the government made giant strides. As a reminder, we mention the linguistic law, the rise in the degree of public morality and the reduction in favoritism, the democratization of public institutions and structures; these are achievements no government can challenge.



The measures pertaining to minimal working standards, health and job security, housing, planning, the environment, election reform, collective appeal and others are also worthy of mention.

In labor relations the government revised the "plumbing," but it could not or dared not touch the fundamentals, and it did not succeed in restoring confidence in the public sector. With results that are visible to the naked eye and--these days--extremely worrisome.

#### Parizeau, the Strong Man

In the economic domain, for many reasons--several of them having nothing to do with competence--the government has shown a disappointing performance. Its maneuvering room is slender, of course, but it has not reestablished with big business the climate of confidence it created with the PME [small and medium-sized businesses]. The asbestos affair is far from being over, the reform of government-owned businesses is in slow motion. "To build Quebec" is still a fine collection of more or less disparate promises.

In the budgetary and fiscal area, Jacques Parizeau has played his cards well up to now and has purified the atmosphere. Moreover, the Finance Minister, by all the evidence, is the strong man of the regime, right after the prime minister.

What a strange and fascinating phenomenon is Rene Levesque. After a quarter of a century of public "exposure," the head of the PQ is still popular and credible with a large number of his fellow citizens. And despite all that is happening now, such as a cascade of setbacks, Mr Levesque is still the best man for the PQ. At this dangerous juncture, if he were not there disorder would probably occur. For, because of his moral authority, he alone can maintain a semblance of discipline and cohesion in the Party.

#### Stagism in Question

A curious turn of events: the strategy that enabled the PQ to seize power three years ago and afterwards encouraged it to stretch out the steps in the referendum, seems about to lead to its losing power.

I may be wrong, but I have the feeling that the PQ would have made a better showing in the referendum if it had held it, as promised, a year after the election, when the rate of satisfaction was extremely high, or even in 1978, before Claude Ryan had had time to become implanted and renovate the Liberal Party from top to bottom.

It was stagism that put the PQ in power and that is what will probably drive it out, chiefly because the government now gives the impression of playing tricks and being long-winded on this question that is more sensitive than all the rest. As if it wanted to hold onto power at any price.

And at the point we have now reached, if the present climate of disenchantment should persist, will the spring referendum be anything other than a superpoll,

scarcely any more refined than those at which the PQ is past master, and which it has learned to control? Because for some Pequistes yesterday's great ideal has become a matter of marketing, packaging and dealing. It is enough, they think in the ministerial agencies, to have a good socio-democratic card, to pull the right strings, to take the pulse at the right moment.

For the time being that pulse is clearly saying that it is quite fed up with the winding twists and turns of a union line strategy that does not dare to speak its name out loud and show its colors. It is also saying that it is fed up with social conflicts and strikes in essential services. On those two points, however, the government is hesitating, hemming and hawing, is tossed between extremist groups, as if it was seized by impotence and could do no more than plug the gaps as best it could. These days, rather badly.

### A Sign of a Rout

The government so expected to call for the referendum that along the way it lost a certain credibility. I have a feeling that this played a role yesterday in the by-election. There used to be a confidence that is no longer there, there was hope of something or other than came unraveled in the depths of the government.

There is no anniversary cake for the PQ, but rather great dark clouds and the alchemical search for a lost clarity.

It would be catastrophic if the union members from the public sector, taking advantage of the government's weakness, went as far as a brutal confrontation, from which everyone would emerge a diminished loser.

Not to think of the worst, the PQ has already committed the unusual feat of losing its six by-elections, and will soon lose the seventh. If this is not a sign of a rout, I wonder what it is, especially in Maisonneuve, the bastion of the former minister, Robert Burns, for ten years. The PQ lost a major test there yesterday.

It may also be a sign that Quebec has become "ungovernable" in a way; in any case, that it burns up its leaders quickly. And Claude Ryan will learn this fast, whatever the magnitude of the backwash from which he is now profiting.

For the government the worst is yet to come. Can it retrieve the vigor and dynamism necessary to face the inevitable days of reckoning? Perhaps, but the salt has lost its savor and it will be a long winter.

8946

CSO: 3100

## POLL SHOWS SHARP DECLINE IN PQ POPULARITY

Montreal LA PRESSE in French 17 Dec 79 p A 4

[Article by Marcel Adam: "A Poll Which Augurs Ill for the Parti Quebecois"]

[Text] Nothing is going right any longer for the Parti Quebecois government and its referendum option. An objective poll by the Quebec Institute of Public Opinion, ordered and published yesterday by the weekly DIMANCHE-MATIN, reveals that, failing a radical turnaround of public opinion in Quebec, the PQ government is heading for a shattering defeat of its option in the referendum and a crushing failure in the next elections.

Conducted between 5 and 12 December, the poll reveals a complete reversal of the situation shown by all the polls taken since the election of the PQ. Judge for yourself.

If elections had taken place during this period of consultation, the Liberal Party would have received 20 percent more votes than the PQ.

Moreover, for the first time in 3 years, the Liberal Party dominates the PQ in all age groups, in both language groups, equally among men and women. Besides that, Liberal Party leader Claude Ryan's popularity exceeds Levesque's by a couple of points.

As for the sovereignty-association option, the poll reveals that two-thirds of Quebec's citizens have already made their choice and that they would answer "no" by a wide margin.

One can't help noticing that this collapse of the PQ option is happening more than a month after the publication of the White Book explaining sovereignty-association, a book which is, ironically, on its way to becoming the biggest bestseller in history in Quebec. It is difficult not to see in this a certain cause and effect relationship: People now having a better idea of what this option implies, the great majority of them believe that they are in a position to decide against it.

How can this about-face of Quebec public opinion be explained?

One must certainly consider the resurgence of antigovernment sentiment caused by the crisis in negotiations in the public sector, which happened a couple of weeks before the poll, and also by the mass strike of transportation workers in Montreal.

It is true that the PQ government believed that Mr Levesque had succeeded in picking up the pieces with his masterly televised intervention, made the first evening of the strike in the social affairs sector. It remains that the government has suffered from these social conflicts. Nevertheless, he got out of the trouble better than his predecessor but, unfortunately for him, a populace at the end of its patience, and ill-informed on top of that, was not in a mood to take these things into consideration.

One must also take into account the difficult economic situation, a phenomenon which always works against a government, even if it is doing all it can to improve a situation for which it is not entirely responsible.

Nevertheless, the mistakes of the government must not be considered as negligible. Was it not Mr Levesque who devoted himself to a vigorous critique of the failings of his government the day after the losses sustained in the 14 November mid-term elections, and more particularly during the national convention of his party, held the other weekend in Montreal? Did he not acknowledge that his government had lost contact with the people, did he not deplore the subtle corruption of power, which is revealed by a certain detestable assurance in some ministers who appear to be "know-it-alls" and project an image of arrogance? Did he not speak of this "unhealthy fat" engendered by the "enjoyment of armchairs" and which makes one lose one's taste for going out and seeing people?

Besides, the fact that the popularity of the PQ option is waning with that of the government and of its leader contains a lesson which confirms the thesis of Rodrigue Tremblay.

The PQ government, having decided to hold a plebiscite on its single option rather than proposing a referendum choice between two or three options, has condemned itself to linking the fortune or misfortune of its option to that of its government. How otherwise to interpret the yes-or-no blackmail which is being perpetrated by various pressure groups which are advertising the advantages of the government?

If the latter had proposed a real constitutional choice to the people of Quebec, it would perhaps have exposed this consultation less to the political hazards of its administration and to the risk of compromising this historic event.

## OFFICIAL REPORT SHOWS FOREIGN DEBT INCREASED GREATLY IN 1979

Copenhagen BERLINGSKE TIDENDE in Danish 22 Dec 79 p 9

[Article by Frank Dahlgaard]

[Text] Sociology students of the future will, undoubtedly, be reading in their textbooks that 1979 was the year in which the Danish economy really got into serious difficulties.

The dramatic deterioration of our economic situation this year is due to three circumstances:

1. The sharp increases in oil prices;
2. The sharp increase in international interest levels;
3. The weak economic policy that has been pursued in Denmark during the last few years.

When the first oil crisis hit the world in late 1973, Denmark had a net foreign debt of 19 billion kroner, corresponding to 12 percent of our national product. This indebtedness had been developed through a chronic balance of payments deficit throughout the sixties, but the politicians allowed this deficit-causing trend to continue at an accelerated rate throughout the seventies. It is true that there were measures of intervention in the form of packages of bills proposing taxes, minor devaluations, retrenchments in the budgets of the public sector, and some kind of incomes policy, but the measures came too late and were not drastic enough to cope with the large-scale problems.

## Foreign Debt Increased by 19 Billion Kroner

That is why the foreign exchange deficits continued, and, in early 1979, Denmark's net foreign debt had increased to 61 billion kroner, corresponding to 22 percent of the national product. However, in 1979, our foreign debt really started growing at a fast rate.



The Danish Department of Statistics has just published a survey of Denmark's foreign debt and credit balances at the end of the third quarter of 1979. From the survey, which is shown in this article, it appears that Denmark's total credit balances abroad amount to 78 billion kroner, but that the foreign debt amounts to 15<sup>2</sup> billion kroner. Our net foreign debt as of 1 October 1979 thus amounted to 7<sup>4</sup> billion kroner, but the Danish Department of Statistics states that, at the turn of the year 1979/80, our foreign debt will have increased to 80 billion kroner. That corresponds to 26 percent of the annual national product.

In the course of this year, our foreign debt has thus increased from 61 to 80 billion kroner, i.e. by more than 30 percent. The major part of the increase in our debt (15 billion kroner) is due to the balance of payments deficit of the year, while the rest (4 billion kroner) must be ascribed to the devaluations of the krone this year. Devaluations of the krone will, of course, increase our foreign debt.

The reason why Denmark's foreign exchange deficit reached the high level of 15 billion kroner this year, as against 7.7 billion kroner in 1978, was primarily the higher oil prices. However, also the rapidly growing interest rates abroad have caused an increase in the deficit, seeing that we have had much higher interest payments on our foreign debt.

It will serve as an illustration of the dramatic deterioration in our balance of payments situation to draw attention to the fact that the former Social Democratic-Liberal coalition government, as late as at the turn of the year 1978/79, was of the opinion that it would be possible to reduce the 1979 deficit to 6.5 billion kroner.

#### Several Measures of Intervention Each Year

The year 1979 will, definitely, become a turning point, also to our economic policy. Where we have previously been able to limit the intervention to one annual August or September collective agreement, we now have to get used to several drastic measures of intervention each year. In 1979 we have thus taken as many as three measures, viz. in March in connection with the new collective agreements, in June in connection with the energy taxes, and, now in December, the much discussed "package solution."

All three 1979 measures have been insufficient, including the measure passed by the Folketing yesterday. In spite of the fact that the package solution "cut to the bone," undoubtedly, will be the most drastic measure of economic intervention in the seventies, it will be entirely insufficient. Denmark's foreign exchange deficit of 15 billion kroner this year will, in 1980, probably increase to approximately 17 billion kroner (half of which is interest payments on our foreign debt), and Denmark will have a foreign debt of over 150 billion kroner, corresponding to at least 33 percent of the national product.



It is obvious to any economist that this development is self-prohibitive, and that Denmark may soon risk getting lending problems abroad if the economic policy is not changed radically. For this reason, we shall not be able to avoid new measures of economic intervention in the course of the next few months.

### Things Will Hurt

If we are to avoid the much discussed "abyss" (where we shall lose our good credit standing abroad), the first half of the eighties will be marked by depression and a decline in the consumption in Denmark. This somber future we shall not avoid, however, if we continue taking insufficient measures of economic intervention. For our foreign creditors will then impose loan terms on us that will become very stiff, judged by Danish welfare standards.

There is much to indicate that the Danish people is gradually facing the fact that things will hurt in the coming years. It is doubtful, however, that very many actually realize how bad it will be. In the feature article yesterday, Professor Bent Rold Andersen gave an example by way of a calculation which should cause a cold shiver to run down the backs of the readers. In the article, the author's assumption was that we solve our balance of payments problem through drastic reductions in the public sector.

There are other means, of course, but if we are to get away from the deficit causing policy--and we are actually forced to do that--it will be absolutely necessary to stop the unchecked growth within the public sector and to improve our competitiveness abroad. In the coming years, we, therefore, must expect having to pay more for the public services, and we must expect new devaluations and a stiffer incomes policy.

### Denmark's Debt and Credit Balances Abroad as of 1 October 1979

Billion Kroner	Credit Balances	Debt	Net Debt
Private Sector	31.8	79.8	48.0
Public Sector	4.1	47.5	43.4
Bank Sector	42.1	24.7	-17.4
Danish Society Total	78.0	152.0	74.0

The above shows the distribution on the various sectors of Denmark's debt and credit balances abroad as of 1 October 1979. The public sector comprises the state, the municipalities, the telephone companies, and

the power stations. The bank sector includes savings banks and national bank, and the net credit balance, here of 17.4 billion kroner, corresponds to Denmark's total net debt of 74 billion kroner as of 1 October 1979.

Denmark's total net debt of 74 billion kroner as of 1 October 1979 has increased during the last 3 months to 80 billion kroner.

Source: KONJUNKTUROVERSIGT, December 1979, the Official Statistics of Denmark.

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CSO: 3106

## BANK CHIEF: NATIONAL CREDIT RATING MAY DECLINE

Copenhagen BERLINGSKE TIDENDE in Danish 27 Dec 79 p 9

[Text] The chairman of the Danish Bankers' Association, Bank Chief Bent Hansen, said at the turn of the year 1979/80 that he feared that Denmark's credit rating might decline.

Denmark's problems are attracting growing international attention, and our credit rating may soon become threatened if the development in the Danish economic situation is not reversed.

Bent Hansen said that the unsatisfactory development in the Danish economy is not primarily due to oil price increases and the like but, on the contrary, to a tendency in the Danish economic policy over a long period of time to let things drift.

The oil price increases have only made the situation even more acute, he added.

A balance of payments deficit of the magnitude we have seen in the last few years cannot be borne by the Danish economy very much longer, he continued.

As for the eighties, the chief of the Danish Bankers' Association predicted that it will be a very difficult time, not only for Denmark but also globally.

He pointed out that, to a small country such as Denmark with a large-scale foreign trade, it must be considered imperative, most of all, to assist the privately-owned trades and industries which are exposed to severe competition.

"The country has been brought to the verge of an economic disaster, and the government has not been able to carry through an effective reorganization policy," the chairman of Denmark's Provincial Chamber of Commerce, Mogens Aasted, Lemvig, said in his New Year's speech.

"The events in connection with the economic legislation of the last few months betrayed a pronounced lack of understanding of the conditions of the trades and industries and their importance in obtaining successful effects of the emergency policy. As is well-known, the result was an unreasonably severe legislation governing the trades and industries, combined with a lenient and ineffective wage policy.

With wage increases of not less than 10 percent in the coming year, the legislation carried through will not be able to contribute to any noticeable improvement in the competitive power of the trades and industries, in the balance of payments and in the employment situation. New increases in oil prices have further undermined what might be left of effects of the government's so-called emergency plan to restore the economy to a sounder basis. It, therefore, is certain that new measures of economic intervention will be taken before long," Mogens Aasted said.

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## STATE CORPORATION TO PURCHASE OIL FOR DOMESTIC RETAILERS

Copenhagen INFORMATION in Danish 21 Dec 79 p 2

[Article by Poul Albret]

[Text] The Danish state will now get directly involved in the oil trade. The last few problems have just been solved, and, in the course of a very short time, the government will sign an agreement with Saudi Arabia for the purchase of 1 million tons of crude oil annually during the next 3 years.

It will be a subsidiary of the state-owned Dansk Olie og Naturgas A/S (DONG) [Danish Oil and Natural Gas, Inc.] which will be in charge of the transportation and refining of the oil.

The government has entered into an agreement with the consumer-owned oil company Olieselskabet Danmark [the Danish Oil Company], which will purchase the refined products from the state-owned oil corporation.

Olieselskabet Danmark will then, in cooperation with such corporations as Uno-X and Kommunernes Kulkontor [the Municipal Coal Corporation], distribute and sell the refined products.

The energy policy committee of the Folketing has been convened for a meeting today to approve the agreements.

A little over a month ago, the government was approached by the Saudi-Arabian oil minister, Sheik Ahmed Zaki Yamani, regarding the purchase of crude oil. In his approach, Sheik Ahmed Zaki Yamani did not specify quantities and prices. However, among other reasons, because of a strong interest on the part of the energy policy committee of the Folketing, a more concrete offer was procured.

The quantity of 1 million barrels of crude oil corresponds to well over 6 percent of the expected Danish oil consumption in 1980. But only approximately half the consumption is covered by imported crude oil. The remainder consists of imported finished products, gasoline, fuel oil and diesel oil.

The interest in Saudi-Arabian crude oil stems partly from the fact that the price is the lowest on the market, and partly from the fact that import of crude oil instead of the more expensive refined products has a positive effect on the balance of payments. Finally, there is a tendency in the international oil market for a steadily decreasing portion of the crude oil to be purchased from the producer countries by the multinational oil corporations. For this reason, an increasing portion of the oil trade is taking place in the so-called spot market, where the prices are far higher than the official list prices.

#### State Engagement

The offer which the government is now accepting is at the regular list price for Saudi-Arabian "marker crude," i.e. at approximately 24 dollars per barrel after the most recent increases in oil prices. Saudi Arabia has, moreover, attached the condition to the deal that the Danish government guarantee that the oil will, under no circumstances, be sold at spot market prices. And that means, in actual fact, that the oil cannot be resold to the multinational oil corporations.

The main problem to the Ministry of Energy has been what to do with the crude oil once it arrived in Denmark.

Minister of Energy Poul Nielson has said, on an earlier occasion, that they were working with a "minimum model" to the effect that a state corporation would import the oil and, subsequently, resell it immediately to independent Danish corporations.

This has not been possible, however, because the small-scale Danish companies have either lacked capital or the interest.

Olieselskabet Danmark is the biggest independent company in the fuel oil market. It handles approximately 9 percent of the marketing.

It has been created through the amalgamation of several small-scale consumer-owned companies, such as OK Olie [OK Oil], Fyns Kul [the Funen Coal Company], and Dansk Andels Kul [the Danish Cooperative Coal Society].

However, the corporation has not been in a position to provide the necessary bank guarantee of well over 1 billion kroner--and, for this reason, the government has decided to get directly involved itself in the transport and refining of the oil.

Nor has Olieselskabet Danmark had an agreement concerning the refining, but the government expects to be able to have the oil refined at the SHELL Refinery at Fredericia, which, at an earlier point, has stated that it had available capacity.

However, there have been problems, till the last, in selling all the products from the refining process. Olieselskabet Danmark will, primarily, handle



the fuel oil, Uno-X will sell the gasoline, and Kommunernes Kulkontor will sell part of the fuel oil. It is expected that it will be possible to sell the particularly heavy fuel oil to one or several power companies.

The approval of the agreement by the energy policy committee of the Folketing must be regarded as a matter of routine, as the committee, on previous occasions, has given the efforts of the government its very strong support.

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## FARMERS ORGANIZATION CHIEF SEEKS CLOSER TIES TO UNIONS

Copenhagen BERLINGSKE TIDENDE in Danish 21 Dec 79 p 13

[Text] At the same time as the president of the Agricultural Council, O. A. Kjeldsen, farmer, rebuked the government for its close cooperation with the Danish Trades Union Congress, he urged a closer cooperation between agriculture and the labor movement yesterday at the semiannual meeting of the council in Copenhagen.

"I strongly recommend that a mutual dialogue be established between agriculture and the labor movement with a view to creating a greater understanding of each other's conditions and possibilities," O. A. Kjeldsen said.

However, he did not omit expressing "a deep surprise and disappointment" that the labor movement, in his opinion, already during the election campaign started a violent agitation against agriculture, which reached the culmination with the government's proposal of a special taxation of farm land. It was because of this special taxation that thousands of farmers demonstrated against the country last Wednesday.

The special taxation was the major issue of discussion during the debate at the semiannual meeting in which a resolution was adopted which dis-countenanced this kind of "confiscation," and in which farmers were recommended not to make any new investments.

The council gave its support to the authority previously given to the president and the chairmen of the farmers' associations and smallholders' associations to take further measures, if needed.

In the resolution, the farmers were strongly urged to continue following the recommendations of the main organizations.

## Legal Steps

H. O. A. Kjeldsen said in his report that the investment stop in agriculture is an understandable and natural consequence of the measures taken by the government.

He also said that the farmers may want to take legal steps if the special taxation is passed by the Folketing.

H. O. A. Kjeldsen said that the possibility exists of asking the EC Commission formally to examine whether the Danish government has violated its EC commitments in case of confiscation of the profits from the recent devaluation, and the case may, furthermore, be brought before Danish courts against the minister of internal revenue, which will involve statements from the EC court on the theoretical aspects of the case.

#### Exports Increase by 1 Billion Kroner

The net export of Danish agricultural products is expected this year to increase by approximately 1 billion kroner, causing the total net foreign exchange earnings of agriculture to reach approximately 19 billion kroner, H. O. A. Kjeldsen stated at the meeting of the Agricultural Council.

From 1977/78 to 1978/79, the value of the total sales production of agriculture increased by 6 percent, which alone was due to an increase in the production, in that the average prices remained unchanged. The total sales production corresponded to a total of 28 billion kroner, of which the livestock production accounted for just under 80 percent.

As far as the pigmeat production is concerned, there has been a quite considerable increase in the volume by 1 $\frac{1}{4}$  percent, which has placed Denmark on a par with developments in the Netherlands, and the increase in production has been more than double the increase in the EC as a whole. During the same period, however, the prices in Denmark of pigmeat have dropped by 5-6 percent, but the price fluctuations, however, have not been as pronounced as in the rest of the EC during recent years.

Also as far as the milk production is concerned, the development in Denmark differs from that in the rest of the EC countries, but it is here a question of a drop in the production of a little under 2 percent this year compared to 1978. Denmark is the only country in the EC where a drop in the milk production is expected which, otherwise, has been constantly increasing since Denmark's entry into the EC.

The share of the EC of Danish agricultural exports has, incidentally, in general, been gradually decreasing since 1975--from 68 percent to well over 61 percent now--which is due, among other things, to a drop in the volume of exports to Great Britain. On the other hand, there has been a considerable increase in exports to countries outside the EC.

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## PAPER COMMENTS ON FARMERS' COPENHAGEN DEMONSTRATION

Copenhagen BERLINGSKE TIDENDE in Danish 20 Dec 79 p 10

[Editorial]

[Text] It was a somewhat disheartening experience yesterday to see the long columns of tractors wind their way through the Danish countryside on their way to the provincial towns and Copenhagen in order for agriculture to demonstrate against Anker Jørgensen's special taxation. It was a completely legal demonstration, and it proceeded the way it was supposed to. But tractors belong to the open countryside. The fields are their element. When the big machines huddle together around towns, it is a demonstration with an undertone of threat against the rest of the society, the hint of a threat of obstruction and blockade, of obstructing the traffic and cutting off supplies.

It is a sad day in the Danish society when our farmers feel that they have to make threats. They are the core of the Danish population, historically and socially, steady and hard-working people with a working day that follows the course of the sun. They are independent people in their industry, and they prefer to solve their own problems in dealing with the state. They have a free and dignified attitude towards duties and rights. They may know their own pride, and they know respect for others. When Danish farmers start threatening, there is something wrong.

What is wrong is not only the clumsy bill which released the demonstration yesterday. It is also the impression which has spread among the rural population during the last few years that it is those who vociferate in towns and who take the law into their own hands who get something--that it is those who make a lot of noise who carry their point. It was also part of the message through the demonstration to Christiansborg that the distance to the country, both from a political and cultural point of view, has become very far during these years in which the Folketing has been swaying and stooping to all kinds of pressure from around town. The entire course of events at Christiania, to use it as a symbol of so many other things, has increased the distance between town and country

and has undermined the respect for the ability of the Folketing to make rational decisions far more than they would imagine inside the walls of Christiansborg.

This is part of the background why the farmers have reacted so strongly to the proposal of an extra land value taxation of farmland. It is true that agriculture is an industry which, considering its very limited profit margin and its very intense capital needs, will complain a lot under the heavy interest payments pressure. But a more sensible government and a less reckless prime minister should have been able to discuss with the farmers the necessity, in the present situation, in one way or the other, of neutralizing portions of the profits from the devaluation which agriculture will be fetching. But to decree a special taxation of agriculture in toto was a provocation. It was confiscation of an uncertain profit in an unreasonable manner. Its purpose was to tax all the farms of agriculture on the same basis, but, in doing so, it will hit the farms the hardest which benefit the least from the devaluation because they do not produce much for exportation, and will pass lightly over those with the big animal production who will take home the export profits. As an economic measure, it is a hopeless undertaking, and, politically, it is fit for the dunghill.

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CSO: 3106

## SPD LEFT SEEKS TO REGROUP AFTER SETBACK AT BERLIN CONGRESS

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 23 Dec 79 p 12

[Report by Dieter Wenz: "Attempts at Regrouping by the SPD Left"]

[Text] What is to become of the SPD left? Before the Berlin party congress it appeared stronger than ever; since the congress it looks more like a strife-torn and defeated rabble. If, however, one listens to the words of those defeated in Berlin, it emerges that few consider a shamefaced retreat back home. Erhard Eppler, chairman of the Baden-Wuerttemberg SPD, succinctly describes the sentiments of the Schmidt dissidents: "The time after next it will be our turn," he promises. Two party congresses hence--Berlin has certainly not blocked the view toward the red dawn of the party. In fact the left believes that the course of the party congress permits more precise prospects in that direction than were possible before. In evidence they cite the final vote on energy, when 40 percent of the delegates opposed the line firmly pursued by the government and the party executive. And that although the party is about to enter the year of the Bundestag election and bound to uphold Chancellor Schmidt (considered far and wide a convincing figure) against the generally feared candidate Strauss.

Strife-torn? That term misses the heart of the matter. Admittedly it has been years since the SPD left could be considered a solid block. Though Ehmske contended in Berlin that the left was undergoing a "process of profound desolidarization," we should consider this no more than a hasty judgment. Following the debacle of the executive elections bitterness and regret dominated the SPD left. Still, at their final meeting at the end of the party congress (at night in the cellar of Charlottenburg city hall), they parted full of good intentions. Nobody mentioned strife, those present spoke of the "clarification" and "elucidation" brought about in Berlin.

In fact this seems more than just an attempt at glossing over difficulties. Berlin did not witness the opening of new rifts between leftists. Instead long standing fracture lines were exposed, which the party minority had hitherto been able to prevent the outside from noticing. Two "groups" have emerged very clearly: One surrounding the more prominent politicians Ehmske, Ristock, Roth and Voigt who like to think of themselves as the link between



the left and the party center, and the group of those less willing to compromise such as Scherf (Bremen), Jansen (Schleswig-Holstein) and Schroeder (Juso [Young Socialists] chairman, who are supported by many Young Socialists. Finally there is the quite independent "Eppler line." Though the SPD chairman from Baden-Wuerttemberg has more affinity with the second group, he has so far refused to be classified with them. He keeps his political options open. Possibly astounding crystallizations might emerge around him.

It is not particularly surprising that Berlin conveyed the impression of new and violent conflict between them. Elmke was the first to wield the crayon. The lines he drew were forceful indeed. Many, though, believe that Elmke's imprecations ("you are sectarians") should be considered the expression of his own strong feelings only. He is widely believed by party members to be a potential majority leader in the Bundestag. None of this helps Berlin Senator Ristock who once more managed the jump onto the party executive but continues to be the object of displeasure by the left with respect to his claim to managerial status, former Juso chairman Roth who failed at the second vote also, or his predecessor Voigt who would have liked to be nominated. If they want to amount to anything they will continue to be dependent on the grace and votes of the left block.

In contrast to, for example, Oskar Lafontaine, former Saarbruecken chief mayor and now candidate for the minister presidency of the Saarland, who is said to have obtained full approval at the famous meeting in the city hall cellar, Roth is no longer really acceptable as a representative of the left. It is rumored that he is primarily interested in advancing within the party. Of Voigt it is said somewhat pityingly that he still lives on the glory earned years ago by his establishment of the "Frankfurt circle." To be sure it is quite easy to observe a certain amount of vacillation among many when confronted with the alternatives of Schmidt's pragmatism and a claim to socialism. The latter is definitely to be maintained. "Credibility" is the all important watchword.

Consequently there was quite a bit of confusion in Berlin, coupled with prolific moralizing--who cleaves strictly to principle and is therefore acknowledged left, who may still be tolerated, and who definitely rejected? The term "left center" was broadly defined, especially by Elmke who tended to apply it to anybody who had not totally adopted the right line, the solid block surrounding deputy Metzger and ministers Franke and Vogel. This in turn offended many who do not in the least consider themselves to be incorrigible left extremists but are unwilling on the other hand unconditionally to applaud the motions of the party executive.

Elmke said in Berlin that "utopianism" impugned the "alliance potential" of the left and therefore killed any opportunity for achieving practical changes. Bremen Senator Scherf countered, saying that people had had enough of the constant "flirtation" between the old left and the party leadership. He claimed that people were not willing to be strung along by self-proclaimed

spokesmen only to be sold down the river at the end. Moreover, said the new star of the left, the prime concern was not for just any alliances but for their "content." The left, he claimed, urgently needed precisely to define its political attitude; at last it would have to state quite clearly what it was that it wanted.

Allegedly a new wind has blown up. The "Frankfurt circle," this forum of the left now again honored and listened to, claims that in future only those comrades are to receive support who "openly express their convictions in public." Nor is such openness to be confined to party elections held once every 2 years. "In future we will steadily observe what those people who call upon us actually do on the party executive." It is unlikely that anyone will be willing to be excluded unless they have somewhere else to go; in Berlin Karsten Voigt straightened his back and spoke of a "new start."

Arms are being shouldered. At the party congress Eppler challenged the chancellor and sent signals to the left--including the left outside the SPD --which raised their hopes: Opportunities in this party are not so bad after all. The potential for early politico-structural change is said to be great, "far, far greater than anywhere else." Former Juso chairman Wieczorek-Zeul points to Strauss, agrees and asserts that "the green factions should not be overlooked either." The SPD leadership cannot reasonably object, especially with the Bundestag election looming. It is pretty certain that Juso chairman Schroeder and his former deputy Schreiner will enter the new Bundestag.

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## STOIBER'S INCREASING POWER IN BAVARIA AFFECTS STRAUSS' CAMPAIGN

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 27 Dec 79 p 4

[Report by Peter Schmalz: "Should Strauss Become Chancellor, a Conflict About the Presidency Would Loom in the CSU"]

[Text] Munich. It could have been a calm white-and-blue year. A little European election, an idyllic farewell to Federal President Scheel in snowy Wildbad Kreuth, the leaders of the Chinese world empire on the Tegernsee and the CSU's nostalgic though long desired departure from its outgrown party headquarters to its new and electronically secure party fortress.

Actually not even the 1980 Bundestag election should have disturbed Bavaria's beery somnolence. After all, Strauss had settled down as minister president and last spring still seemed indefinitely to postpone his claim to the chancellor candidacy: "Short candidacy, long chancellorship."

Strauss, however, had not reckoned with Kohl and Stoiber. Kohl, recognizing that he no longer had the slightest chance to get the candidacy, tried at least to obtain an early advantage for his favorite from Hannover over the half hesitant, half insistent Bavarian. Stoiber quickly and decisively checked the attempt. Together with Friedrich Zimmermann Stoiber pressed in on the CSU chief; on Ascension Day his claim was made public. Subsequently veiled threats of a fourth party produced the official nomination.

As it is the border between Land and federal politics is quite fluid; now it is so deformed as to be virtually unrecognizable. Strauss has since used the stage of the Bavarian Assembly to air in detail his German and world political concepts. White-and-blue problems appear provincial and unimportant by comparison. In the course of delivering a 3-hour programmatic speech at the latest CSU Congress, the party leader, minister president and chancellor candidate actually asked for leave to say a few words on Land politics.

At the same time Bavarian Cabinet members held on red upholstered chairs surrounding a square table are used to produce assenting background noises just in order to show the Bonn coalition colleagues (who meet around an oval table) how to run affairs properly. Examples are the waste water tax law

which the Munich council of ministers considers just so much waste paper, totally unsuitable for implementation. Or the proliferating bureaucracy to combat which Strauss appointed a remarkably successful committee. The latest achievement: At its final meeting of the year the provincial assembly voted the abolition (desired by the cabinet) of some trifling taxes.

On the other hand Bonn Government circles are tempted to attack Bavarian politics while actually aiming at the chancellor candidate. The scandal involving the deportation of two Czechoslovakian refugees who had sought asylum is merely the tip of the iceberg. Strauss, very security conscious, angrily suspects the FDP ruled Bonn Interior Ministry of favoring party political before national interests. The Bavarian complains that "the necessary confidence between the security services is being destroyed," and cites the example of the two PLU members who had been held in Bavarian prisons but were released and deported at the Federal Government's insistence, because the latter was afraid of assassination attempts.

Still, the Bavarian CSU group in the Bundestag also views with growing distrust and anxiety the influence and propagandist powers exercised by tempestuous and assertive general secretary Stoiber. While the party could just about identify with Stoiber's attack on the leftward drift in the trade unions, his ill-considered discussion of socialism and national socialism earned headshakes, dismay and incomprehension.

It was Stoiber again, who helped ensure that the CSU could not begin its Christmas vacations in peace nor be united in the New Year for taking up arms in time for the Bundestag election campaign. Reminding them of the minister president's chancellor candidacy he compelled the group to accept the whip of solidarity, brought about the deace of the holiday legislation (just before enactment)--probably anxious not to offend business--, and thus opened the way for a possible link between irate Church organizations and the Social Democrats. Never before has there been so much angry talk about Strauss and his general secretary in the CSU parliamentary group. The minister president never spoke to the issue in the parliamentary group, failed to attend the crucial meetings, yet finally and brutally stopped the legislation against the wishes of the parliamentary group. As a result the members of his own party now tend to characterize his operations by such phrases as "the art of government as a Punch and Judy show." A Bavarian SPD politician gloated: "Our canvassers need do no more than copy such comments."

It is more than doubtful, though, whether the opposition's glee can be of long duration. Once the hot anger has ebbed, the Christian Socialists will return to their customary docility in order to accomplish the greatest task they have ever confronted: To make the party chairman federal chancellor--and then to enter another conflict on the Isar: To decide who in that case should be allowed to be minister president of Bavaria from October 1980 on. Astute frontrunners already realize that an early bandying about of their names is liable to diminish their chances. They have therefore developed a remarkable strategy: They are launching the names of those party members who might bar their way to the Land chancellery as possible compromise candidates.

Indeed, a lot remains to be done in Bavaria, and some people are tackling the job right now.



## BANKERS DISCUSS DOLLAR WEAKNESS, GOLD RUSH

DW111242 Mainz ZDF Television Network in German 1915 GMT 9 Jan 80 DW

[Excerpt from a discussion by journalists Schroeder and Ost with Karl Otto Poehl, president of the German Bank of Issue, and Hermann Josef Abs, banker and former Deutsche Bank spokesman, in the program "Balance," place not given--recorded]

[Excerpts] [Abs] I believe that one has a permanently wrong impression of the dollar. I believe one must not simply say that the dollar promotes inflation in our country. The Federal Bank has managed so far to more or less compensate for the dollar losses it has suffered through interest returns. I believe we ought to speak up in support of the dollar because it is the only currency that is used internationally for all transactions.

I must criticize our press reports whenever I read headlines about the weak dollar because it had dropped 10 pfennigs. If it increases 40 pfennigs the next day this is never mentioned in the headline of an article. I believe we ought to view matters more casually.

As regards oil consumption and efforts to become less dependent on oil, we cannot become independent, that is impossible, technical progress is such that the problem has become economically interesting due to the present oil price. This can produce employment and an upswing aimed at fighting unemployment and becoming less dependent on oil.

[Poehl] Actually the only solution to that problem is a reduction of our oil consumption, not merely a reduction of increase rates, but probably an absolute reduction of oil consumption. All other solutions in the long run will not be satisfactory. It would not be satisfactory for the deutsche mark to become a reserve currency, nor is gold a solution to the problem.

In principle there actually just two possibilities. One is the possibility of worldwide recession--that cannot be ruled out purely theoretically. The other possibility is the one where I agree with Mr Abs: the so-called forward retreat. This crisis also creates a great opportunity: it can create the investment chances of the future, the chances to achieve growth. There need not always be nuclear powerplants, there are also many other things with the help of which one can save energy, with the help of which one can invest much and create jobs. This is a enormous task for the future, but then we must change the quality of our growth, so to speak.

[Ost] What is the reason for the gold rush? How can one explain this gold rush, this gold fever?

[Poehl] So far the dollar has not been touched very much by this almost hysterical gold rush. So it is not a flight from the dollar into gold. I believe that one must not dramatize matters too much. The gold market is a relatively narrow market. But other raw material prices have also increased. That, too, can change at some time.

[Abs] I believe that it must be stressed with regard to gold that this is certainly a hysterical development. We ought to discard the illusion that gold could be a standard for measuring the value of currencies or that it could play part of a role with regard to a currency's value because such ups and downs can never be compensated for.

[Poehl] We just had a meeting of the issuing bank governors in Basel. The above opinion was shared there. There is a problem though, the fact namely that gold plays a certain role in the reserves of many issuing banks, and that today it is sometimes greater than the dollar part of the reserves. It is possible that a potential liquidity has been created, potential though, a liquidity that is not being used immediately--such as in the European currency system. It means that greater balance of payment deficits could be financed theoretically. It does not matter in practice, thank God. There is a certain problem. But I fully agree with you that developments in past weeks demonstrate how unsuitable gold would be say as a new basis for a world currency system.

[DW111255] [Schroeder] Can the present hysteria lead to something like the 1929 events?

[Abs] At that time, on the eve of the world economic crisis, stock exchange values collapsed because of an enormous speculation and because purchasing took place on credit; today this is not the case any more with regard to shares. In the field of gold, however, speculation goes on with regard to ups and downs of prices; some people win, others lose. We can wait patiently to see how much the people will have lost in the end. In so far this source does not indicate a crisis of world economic significance, it indicates no such fears--the prices for gold or silver do not indicate that. I believe that matters are much better under control by the competent governments, supported by their issuing bank systems, than they were in 1929-31.

[Schroeder] How can more confidence and stability be created, in view of the tension of inflation, so that there will be no monetary crises and other things that in the end can backfire on our economy?

[Poehl] First of all by the fact that all governments--not just in this country but also in other important countries--and the issuing banks will follow a policy attributing great importance to the stability of monetary value. That is more the case now than it was a few years ago. Just think of the almost heroic efforts, I would like to say, of the U.S. Federal Reserve Bank president in an election year. He pursues a very hard monetary policy--late, very late, but I hope not too late. Due to the



enormous importance of the dollar and of the United States as the greatest economic power of the world, this is naturally of decisive importance.

But one must also bear in mind the efforts made in England. Even in a country such as Italy which is sometimes more tolerant vis-a-vis inflation, the discount rate has been increased recently by 3 points at one time.

We experience massive efforts being made in the whole world--particularly of the banks of issue--aimed at exerting more control on inflation. Along with this naturally the danger of a setback, of an economic setback increases. This is probably the price one must pay in order to solve the problem. And yet I would say that the danger of a world economic crisis similar to 1929 cannot be envisaged. The situation is completely different today. The problems are different also. They are bigger in part, and in part they exist in a completely different field. Today they exist much more than before in connection with the financing of developing countries. On the other hand, however, international cooperation and the solidarity of industrial countries is better developed than it was before. Purely technical communications are different also; today we have the telephone, teletype machines, planes and naturally cooperation is completely different. That is often underrated.

[Abs] In addition, the instruments of the international monetary fund are prepared to take real action.

[Foshl] We have the international monetary fund, which we must naturally not underrate; it has stood its test very well in some crises. I believe that the situation is still better and that we have learned something. Yet one must say that problems today are greater in part. It is frequently very difficult in parliamentary democracies to implement something one recognizes as being correct. This is, by the way, one of the reasons why the independence of the issuing bank is so important; naturally it has the opportunity without concern for election dates, political parties and governments to do what it considers correct.

[Ost] What do you think of boycott measures? Will they hurt such countries as the Soviet Union, or would it be better to terminate the credits or stop giving new credits?

[Abs] If we speak of Soviet Russia, it is a debtor to the Western world; it has always fulfilled all its commitments in the entire past. These are not credits one can terminate, they have mostly been linked with supplies. I am not an advocate of that. I do not believe that trade barriers will work.

CSO: 3103

## INCREASING INFLUX, EXPLOITATION OF ILLEGAL IMMIGRANTS

Hamburg DER SPIEGEL in German 10 Dec 79 pp 37-46

[Unattributed article: "By Hook or Crook to Germany"--The Illegal Influx of Foreigners into the FRG]

[Text] More and more foreigners are entering the FRG, many of them brought in by organized traffickers. Over a quarter-million are already residing here illegally; 60,000 requests for asylum are piling up in government offices. Many of these foreigners are being "brutally exploited" by illegal employment agents; police authorities call it "modern-day slave trade."

When 22 year-old Kewal Krishan, an Indian, took a trip to the Promised Land it went off without a hitch. In Katmandu, the capital of Nepal, he paid one of his compatriots 10,000 rupees (about DM 2,500) and soon was on his way by air to East Berlin via Bangkok. Krishan took the intra-urban electric railroad to the Western sector of the city with no identification check, boarded a PanAm plane to Frankfurt and once there asked for political asylum.

According to Krishan it was Rajinder Kumar, another Indian who came to West Germany 4 years ago and also asked for asylum, who organized the trip and received payment for it. Kumar, who goes by the name of "Bobby" among immigrant insiders, had soon gained access to a flourishing undercover business. He earned "his living," the Frankfurt public prosecutor's office determined, "by recruiting Indians in India and then transporting them to Germany for a high fee."

Equipped with tourist visas, Pakistanis went by plane from Pakistan to Milan; in groups of up to nine men they went by train from there to Bolzano. At the South Tyrolean train station the Asians were picked up by cab drivers in on the deal who took them to Germany for DM 1,000 apiece.

They crossed the Italian-Austrian border illegally at the Reschen Pass and made it across the German border unnoticed by using footpaths somewhere between the towns of Pfronten and Fuessen.

Helpers directed some of the Pakistanis to a receiving camp run by the city of Ulm where the new arrivals requested asylum. Others went directly to their future employers--illegal agencies which pass on foreigners who have illegally entered the country to other businesses for a large profit.

Foreigners from faraway Turkey and from places even more distant are willing to put up with the expensive trip by airplane or train, by taxi or on foot, if need be, just to reach the object of their desire: The Federal Republic, the land of liberty and economic miracles. They take to the road singly or in groups and almost invariably they are refugees, some from a totalitarian regime at home and others from economic misery.

This migration to the FRG has been providing political tinder for some time. A controversy between Bonn and Bavaria arose not too long ago when the Bavarian government, contrary to prevailing law as well as a court order, extradited political refugees to East bloc countries, thus exposing them to certain persecution.

On the other hand, government and party politicians who take a more liberal attitude toward the problem are worried about the growing influx of those seeking asylum which reached some 33,000 last year, or six times the 1972 total. But they do not agree on what legal means exist to combat abuse of the West German laws governing the granting of political asylum.

There are already about 60,000 requests for asylum by real or bogus political persecutees piling up in German government offices, and the number of requests keeps on growing. In addition, there is a large number of illegal arrivals who become residents without registering with the police and who work without a permit. One can guess at their number at best. The authorities speak of something like a quarter-million, but there may be at least 100,000 more than that.

Given the fact that there already are 4.1 million legal foreign residents in the FRG and that a hiring freeze for foreign workers was decreed in 1973, hardly anyone now enters the country sight unseen and without good reason. Stringent regulations dealing with aliens which leave room for further restrictions are being rigorously implemented by border and immigration authorities as well as law enforcement agencies.

But even this tough policy seems to have little effect on those who set out on their own or with the help of others in order to reach Germany, by hook or crook. The police say they have "reliable information" on international "conveyor organizations" which recruit foreigners in their home countries and steer them to the FRG in a variety of ingenious ways.

Once they have found a safe place to live for those they have recruited, the foreigners more often than not are at the mercy of the illicit employment agents. The Hamburg police estimate that the state and society-at-large are cheated by these agents of sums going into the millions each year and that

the illegal immigrants are frequently exploited by them in a "cruel and inhuman manner." Guenter Krenz, the Hamburg police spokesman, says: "It is a modern version of slave trade, pure and simple."

This lucrative traffic in human beings starts out far away, somewhere between Croatia and Hong Kong. The canvassers travel from village to village and lure their compatriots away with colorful descriptions of the good life in Germany and with promises of jobs and easy money.

Those willing to chance it are assisted in making their illegal way to the West; but first they must pay--between DM 2,000 and 10,000 apiece. The Indians, for example, assemble at the Nepal Lodge Hotel in Katmandu and then, like Kewal Krishan and 7 other Indians, are brought to East Berlin via Bangkok in groups of up to 10.

To get their charges to the FRG and to arrange for their stay, the traffickers have adopted several methods which vary according to the requirements of the situation:

- The foreigners obtain an FRG tourist visa in their own country and then enter the FRG legally, but do not leave it;
- They arrive at a city like Frankfurt on a transit visa, leave the airport and then disappear from sight;
- They arrive at a German port by boat, go ashore and do not return aboard;
- They are taken across the border at some unguarded spot;
- They pay for entering into a pro forma marriage with a German woman in the hope of obtaining a residency permit;
- They pose as political persecutees and submit requests for asylum which frequently are not acted upon by the courts for years.

The citizens of most countries may stay in the FRG for 3 months as tourists; if they start to work, that in itself is grounds enough for deporting them. "We have had Moslems arriving at the airport," a Hamburg police official says, "who tell us their reason for coming to Germany is to get an idea of how we celebrate Christmas--and we have to let them in." The criminal police consider just as spurious statements by Pakistanis who claim to be visiting German cultural shrines, illiterate and destitute though they are; and yet they cannot be denied permission to enter the country.

Since these tourists who have no money of their own would be turned back at the border, the traffickers, so the police say, often supply them with "several thousand marks of show money" which they must subsequently return. The Permanent Conference of West German Interior Ministers issued orders to intensify border controls at the beginning of the year to check on such tourists, primarily from Yugoslavia or Turkey, who frequently enter the country by the busload and either begin working without a permit or later request asylum. As Siegfried Froehlich, state secretary in the FRG Ministry

of the Interior puts it: "We may just possibly...turn these so-called tourists back right at the border if they enter the country under false pretenses and then claim the right to asylum." The Bavarian border police, for its part, has been known to apply a firm hand and, often enough, a heavy one in legal matters. As for infractions against aliens' rights and regulations elsewhere, these may be due, according to a recent statement by Bundestag Vice-President Annemarie Renger, to overzealousness or just plain xenophobia:

The Bavarian authorities have disregarded the constitutionally guaranteed right to asylum for political persecutees in several instances when they illegally terminated proceedings to determine their right to asylum and deported these refugees from various totalitarian countries without further ado;

Members of the border police--at the Cologne-Bonn Airport, for instance--disregarded existing regulations on foreigners' rights when they unceremoniously sent some Turks who had just arrived to visit their relatives back on the very next flight;

Immigration officers in Laender have violated European law by not letting citizens from European Community countries enjoy the normally applicable liberal regulations of the Community, subjecting them instead to the strict German laws on aliens. Moreover, in case of infractions, they have been punished.

Strict application of the law and violation of it on the part of the authorities have had no effect on the foreigners, who simply stopped coming under the guise of tourism or asylum and decided to make their way illegally across the poorly protected frontiers instead.

Last November the Bavarian authorities mounted a special effort along the wooded Austro-German border. They cancelled all leaves for the border guards and assigned Alert Police units to the frontier strip between Pfronten and Fuessen. But it was to no avail. The slave traders wasted no time in transferring their activities from the eastern part of Allgaeu to the western part.

It also does not help much for the police to arrest one taxi driver or another who regularly ferries Pakistanis and Bengalis across the unguarded Swiss-German border. Those who pull the strings behind the scenes, whose headquarters the Swiss authorities think are in Berne and in the Rhine-Main area, soon come up with alternate routes.

They also know how to make the most of the West German asylum law. Foreigners who opt for crossing over to the West via East Berlin are well provided for, the police say. "A trafficker will go to East Berlin to pick up the



passports," a police investigator told us, "and bring them to a West Berlin lawyer who works hand in glove with them and who will request asylum for a political refugee he hasn't even seen." Their papers processed, the immigrants cross over to the West and are then "dispersed throughout the FRG."

Quite often the supposed persecutees are apparently told exactly where they will go in Germany even before they leave home. During the past few months, for example, a number of Pakistanis suddenly surfaced in Hagen in Westphalia and requested asylum. One of these described the way the racket works to the local police:

The candidate for asylum visits a kind of travel agency in Pakistan and there makes payment for his all-expenses-included trip to Germany. The travel agency then buys a plane ticket for him from Pakistan to France and back, because the French Embassy in Pakistan will not issue a tourist visa unless a round-trip ticket is presented. In addition, the travel agency has a connection in Paris who takes care of the traveler once he gets there.... And then he is taken by automobile across an unguarded part of the so-called green frontier into Germany.... His ultimate destination of Hagen had already been determined before he left Pakistan.

Several Pakistanis who appear to have taken this particular route went to one specific lawyer in Wuppertal who submitted their requests for asylum for them. The tickets for the return flight from Paris to Pakistan were returned and exchanged.

Those who apply for asylum at least have a residence permit and can get along financially for a start. "These persons are also entitled to social welfare," a document from Hagen reads. "Funding by the province of North Rhine-Westphalia is guaranteed by law."

Thus, it is not unusual for a particular individual such as an Arab woman living in Berlin with her children to collect DM 80,000 in welfare payments over a period of 5 years while the request for asylum is pending. At times, it takes as long as 7 or even 9 years for a decision to be handed down. If a deportation order is then issued, it takes on the appearance of the state decreeing that entire families be uprooted.

There has been a change in procedure as a result of the jump in the number of applications for asylum--8,562 in Berlin alone during the first 10 months of this year--and the length of the legal process--the first decision being made by the "Federal Office for the Recognition of Foreign Refugees" in Zirn-dorf, and in case of appeals, by the Administrative Court at Ansbach. Starting in 1980, appeals will be heard by land administrative courts in hopes of arriving at legally binding decisions more expeditiously.



Short shrift is made of those foreigners, however, who simply left their homeland for economic reasons and who cannot lay claim to a permit for residency or for work here. If such a person attracts attention and is caught, he will be deported without fail.

Those who stay and wish to survive must try to make do undercover. They find lodgings without registering at the mass shelters for the most part and work only through the help of illicit agents who, according to a Hamburg criminal police official, "exploit them without mercy."

It was the Federal Constitutional Court in Karlsruhe which opened the way for any number of illegal activities in this field, albeit inadvertently. In a 1967 ruling, the high court judges agreed to the licensing of private "employment agencies" in addition to the state employment offices--perhaps because they did not assign a major role, quantitatively or qualitatively, to institutions hiring people out for profit.

Meantime, however, the ranks of the legal private employment agencies have been augmented by a number of illicit operators whose gross income, by official estimate, runs into the billions. These agents collect the full salaries of the illegal foreign workers from the firms that employ them and pass on a mere fraction of the money to the workers themselves. The operators do not without taxes or social welfare contributions; they save money by not paying out Christmas bonuses or vacation pay; in short, they ran no entrepreneurial risk at all.

"Traffic with foreign labor is not altogether unusual here," the Munich police said after a Vabarian construction firm was convicted for having employed at least 40 illegal workers and for exerting pressure to make them obey orders. "Open your trap and you go to jail," was the watchword. "The new element," the police officials added, "is that these people are now being treated like indentured servants."

An investigative unit just established in Hamburg last October, the FD 624, which is to concentrate on "special economic felonies and violations against the alien laws," made somewhat similar discoveries. The investigators struck pay dirt in no time in Hamburg where a total of 5,250 court actions involving fines in connection with illegal immigrants had been instituted last year.

The manager of a Hamburg construction firm, for example, was arrested by the police just as he was about to use the DM 150,000 he had brought in an attache case to pay off his illegal workers in a St Pauli bar. The firm, which does not appear in any known commercial register, had been farming out some 200 illegal workers--Yugoslavs and Turks primarily--to 20 different construction firms throughout northern Germany since February of this year. The workers were paid between DM 1 and DM 8 per hour, and the firm, the police estimate, turned a profit of DM 2.2 million in the interim.

If any of the workers met with an accident at work, they were quickly moved out of the country, including some who were badly injured. "They stuck a few

100-mark notes into their wallets," a police official said, "and packed them off on the next plane."

A Cologne subcontractor who, by his own admission, had "about 120 people at 6 building sites" working for him illegally, said: "They're at it 60 hours per week, each one of them. And that costs me a pretty penny in wages." He and others like him, the Evangelical Press Service believes, "have net earnings amounting to about DM 100,000 weekly."

"The illegal immigrant workers are not really culprits; they are victims," says Kempton's police chief, Herbert Klaus. The fact is they are almost always completely at the mercy of their supposed helpers. The head of the Hamburg unit, Chief Commissioner Rainer Chmillon, says: "They agree to just about anything and still keep their mouths shut for fear of being found out or being beaten up by the operators' strongarm squads."

It appears that the 11 agents in Hamburg have already taken charge of an entire trade by exerting pressure and threats. Foreign sailors wanting to go back to sea almost always have to rely on so-called beachcombers to find work for them. "In some of the bars along the coast here," the Catholic seamen's priest Leo Kreiss says, "about 10 jobs a day are given out, at DM 300 to 500 per man."

Since German shipping companies apparently avail themselves of the agents' services, too, witnesses to these shady deals seldom turn up. "Anyone who testified knows full well," Kreiss says, "that the coastal mafia will see to it that he never goes out to sea again."

The agents also have an easy time of it hiring their charges out to construction firms. "The first are required by law to check into the workers' labor and residence permits, but they just don't bother," a spokesman for the Stuttgart Office for Public order told us.

Occasionally, businessmen openly admit to these illegal practices. There is Franz Wachter, for instance, honorary head of the Stuttgart builders' association, who said: "If you're pressed for time or you can't find enough labor to do the job, you'd be stupid not to work out a deal along these lines."

If a businessman is caught employing illegal immigrants, the law on aliens calls for his being fined and for defraying the deportation costs, which may well run into six figures. A vegetable grower in the Bergedorf section of Hamburg, for example, was fined DM 100,000 for employing 15 aliens without a residence permit and for quartering them in an old, unheated and windowless smoking shed.

But the agents and the German employers are hardly ever caught. If and when the police do act, it is usually as the result of an underworld tip or a complaint lodged by a business competitor. "We can only help the aliens if they come to us," says Chmillon; "for that matter, we do check out anonymous information, too."

Judging by the not at all unique experiences of Kewal Krishan who now lives in Frankfurt, it is high time such help were forthcoming. After his fellow Indian Rajinder Kumar had gotten him into the FRG, he asked Krishan to turn over the rest of his money to him, with a view to "feathering his nest," as the Frankfurt prosecutor put it.

When Krishan refused, "Bobby" kicked and beat his compatriot brutally and took his money. The Frankfurt jury before which the case was tried called it a "cold-blooded, premeditated act," proof of felonious extortion and assault and battery. Kumar's lawyers, on the other hand, simply called in an "Asian fairy tale."

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## PROBLEMS, REMEDIES FOR SHIPBUILDING INDUSTRY GIVEN

Stuttgart MARINE-RUNDSCHAU in German Nov 79 pp 675-683

[Excerpts from article by Hans Juergen Witthoeft: "Concerning the Shipbuilding Situation"]

[Text] This article, by our permanent staff member for problems of the merchant marine and shipping companies, provides an up-to-date overview of the situation in the German and international shipbuilding industries.

The shipyard industry is even more dependent on the international market than ocean shipping is. In general, however, it is possible in this connection to speak of a certain dualism because, among shipbuilders, everything concerning production sites also depends, as it does with ocean shipping, on national conditions such as the policy on subsidies, on being incorporated in overall economic policy and on wage costs, for example; selling, on the other hand, is for the most part, subject to international influences.

By way of a short summary at the outset it should be noted that the situation in the shipbuilding industry is still poor; that is, when viewed on an international basis. As has been the case for years now, the newspapers are always full of it. Again and again we read of the difficulties that exist worldwide in this industrial branch, of the dilemma of national shipbuilding industries and of the fact that this or that individual company must struggle with especially serious problems, or is in the process of having to give up completely. It is a hard way to make a living for everyone: for managers, sources of capital, employees and also for the respective governments. There is no doubt about the fact that shipbuilding capacities, when viewed worldwide, are much too large, that reduction must absolutely take place; in the process the burdens should be distributed as evenly as possible. But it is also clear that a national shipbuilding industry per se must unconditionally be maintained. This involves the question of finding the proper scope and the proper ways.

## What Can Be Done?

Everyone in shipping and shipbuilding and in responsible government positions is quite clear about the seriousness of the situation. Even though there is widespread agreement in the analysis of the present situation, it is extraordinarily difficult to find solutions that point a way out of the crisis. The most prominent problem is that national difficulties must be solved within international interplay. Different initial positions, interests and systems, when realistically appraised, make a global solution seem scarcely possible.

It is probably generally clear that subsidies, which are in part huge, only keep postponing the problem. We shall return to this point later. For a long time there was a demand for an international cutback in capacity, and such a move was also generally deemed good. But who was supposed to shut down what capacity and who should make the appropriate decisions? Should South Korea and Brazil, with their just recently completed shipyards, cut back on a percentage basis just as much as, for example, Japan with its incredible potential? Could perhaps Poland and the GDR be compared with the FRG and the Netherlands? What should be the scope of the capacity of the currently somewhat run-down British shipyard industry in which, under different management and more favorable surroundings, there are surely substantial production reserves? How would the loss of numerous jobs be handled on the latently politically restless Iberian peninsula?

Those are just some of the questions that occur. They alone reveal that at least internationally not a great deal can be expected from a deliberate cutback in capacity because it simply cannot be reduced to a common denominator. In this issue there is only the possibility of making a national start; in the process the questions must be asked and answered as to how the workers who are released are to be absorbed--the situation varies enormously from one region to another--and how to evaluate the need to maintain one's own shipyard industry and to what extent. In this connection some things have already happened, and a great deal more is yet to come. But this is moving along much more slowly and uncertainly than would have been the case if there had been--admittedly unrealistic international action.

The "scrap and build" plan is also given few chances. Once representatives of the shipping industry had expressed their pessimism about the possibilities of realizing a combined scrap and build program in order to reduce the tonnage surplus in ocean shipping, then the members of the OECD Shipbuilding Committee also gave these plans little chance of being realized. The International Maritime Industries Forum had recommended a "scrap and build" program at the end of last year with a ratio of 2:1 (scrap:build). This organization in which, among other things, shipowners and shipyards of OECD countries work together, had recommended realization with state assistance of a plan that would scrap additional ships



totaling about 30 million tons capacity in the 3-year period covering 1980-1982.

But let us return to the subsidizing of shipbuilding, which not infrequently is labeled a basic evil, naturally depending on which side the observer is standing. Almost every government accords special priority to guaranteeing jobs. However, in the case of many shipyards which with high subsidies kept on receiving new orders in 1978, too, this also nurtured false hopes in regard to the extent of the necessary cutback in capacity. Up to one-third of the contract price--in some cases even more--is covered today by governments.

Subsidizing is also problematic from another point of view, from the vantage point of the shipowners. In their view, far too many ships are being built that are being ordered only because, among other things, they can now be obtained inexpensively because of the subsidies. The market will, however, continue to be kept in an imbalance because of this tonnage, so the way through the bottom of the valley becomes longer and longer for all concerned. Not long ago a well-known shipowner in Hamburg also said, in a consciously unrealistically sarcastic manner, that "shipbuilding ought to be totally prohibited for at least 2 years."

The share of the German shipyards in the international volume of orders has further declined. From Lloyd's statistics it can be clearly seen that the FRG's early decision not to enter into subsidy competition with other shipbuilding countries has resulted in a disproportionate slump in demand. Within 1 year the German shipyards slipped from 9th place to 17th in the international rankings. Their share of the market dropped from 3.5 percent to 1.64 percent. In 1974 they had still been able to show a good 6.5 percent. Expressed in absolute numbers, this means the level of orders at German shipyards shrank by almost 60 percent in 1978, from 1.12 to 0.45 million GRT [gross register tons]. Of the 92 new ships (last year there were 140), which at the beginning of this year accounted for the total tonnage, 43, adding up to 0.25 million GRT, were already under construction. The majority of these units, specifically 31 with 0.16 million GRT, had been ordered by German shipowners.

According to statistics from the Association of the German Shipbuilding Industry [VDS], new orders in world shipbuilding in 1978 amounting to 8.2 million GRT were still below the already low level of the previous year. Of course, in the opinion of the VDS this would mean a further cutback in production for next year and the year after, although the bottom has been reached in respect to new orders. The VDS sees its forecast of September 1978 confirmed in the development of shipping markets; accordingly, we can figure on the low point in production in shipbuilding to come in 1980-1981. Subsequently, on the basis of the high demand for replacements, on an increase in production can be expected.



Worldwide, shipbuilding capacities have been cut back substantially under the impact of the crisis. Japan, the market leader, has a substantial share in this reduction; under the pressures of the market it has set a target equal to about one-half its former annual production. Sweden and the FRG, as the next larger shipbuilding nations, have already decreased their personnel capacities in new merchant ship construction to about 50 percent of the 1975 level. In its report the VDS proceeds on the assumption that the drastic reductions in capacity by the to-date three largest shipbuilding countries--which formerly accounted for about two-thirds of world shipbuilding production--will result in adjustment to the decreased demand, so that from the supply side the conditions for balancing the market will be established.

On the other side, countries with an expansive shipbuilding policy have been very much in the news, including in particular South Korea, Taiwan, Brazil and East bloc countries such as the USSR, Poland, and the GDR. These countries also increased their capacities substantially at the end of the 1960's and the beginning of the 1970's and emerged significantly as shipbuilding exporters. Their overall production rose in the years 1972-1973 from 1.6 million GRT to 2.8 million in the 1977-1978 period. Thus, they were also in a position to achieve substantial growth during the crisis years. Yet in this regard it has also become known that they intend to realize only a portion of their original plans for expansion. Thus, here too, a possible reduction. Can this be the source of a certain optimism?

#### The German Shipbuilding Industry

The situation in the German shipbuilding industry and its prospects for the future are naturally of particular interest. Recently, declarations in support of a national shipbuilding industry have been made rather frequently in our country. For example, Heinz Ruhnau, state secretary at the Ministry for Transport, said on the occasion of the opening of the "Ship, Machine, Ocean Technology" exhibition in Hamburg in September of last year: "I declare myself in support of building ships in this country, because it would be irresponsible if this large existing pool of technical knowledge, talent and zeal were wasted. The backlogs that are developing could be made up. The future of German industry lies more and more in the development of 'high sophisticated technology'; this is our chance to be competitive in the world market."

Juergen Steinert, Hamburg's senator for economics, also used this occasion to point out that the German shipyard industry can by all means compete with low-wage countries if its production has a high level of quality and offers the most modern technologies. Without ignoring the difficulties of this economic branch, primarily because of increasing protectionism, its economic outlook is very promising. With the establishment of top-level technology it is possible to break through the walls of protectionism.

Overall, German ocean shipbuilding is represented by the following shipyards:

5 large shipyards with more than 2,500 employees each;

11 large shipyards with 700-2,500 employees each;

21 medium-size shipyards with 200-700 employees each;

12 combined ocean and inland-waterway shipyards and ocean shipyards with special building programs.

The state of Bremen is the leader in German shipbuilding. In 1978, as in previous years, shipbuilding production in Bremen, on the basis of its output for the year, leads all Laender in terms of value and share. With DM 1.59 billion it accounts for 31.3 percent of FRG shipbuilding production (DM 5.07 billion). Following Bremen are Schleswig-Holstein (29.4 percent), Hamburg (18.4 percent) and Lower Saxony (16.2 percent). The share of Bremen's shipyards in total German new construction production was 36.8 percent with approximately 336,000 GRT, again followed by Schleswig-Holstein (33.4 percent), Hamburg (16.5 percent) and Lower Saxony (13.3 percent). Beyond that, the Bremen shipbuilding firms manufactured by far the most new construction tonnage for export, amounting to about 240,000 GRT. But in regard to construction levels, Bremen, with 130,000 GRT, is of course in second place behind Schleswig-Holstein with 136,000 GRT.

Because of Bremen's leading position in German shipbuilding, we quote below a few statements on this subject from the highest authority on Land policy, which, for this reason, assume special importance. On the occasion of the "Nautical Banquet" at the end of 1978, Bremen Mayor Hans Koschnick emphasized that the shipyards were being challenged to make use of "comparative competitive advantages." For it is apparent with increasing clarity that the shipyard crisis has structural causes. Whoever accords the developing countries a new place in the world economic order must know that this is being done to the detriment of the older industrial nations. Since construction of conventional ships now is no longer a major technological accomplishment, competition by the young shipbuilding nations, which are able to produce rather more cheaply, is becoming increasingly more intense. Koschnick said: "There is no turning back to the structures of 1974. Even if at some time or other orders for conventional large tankers are once again placed--they surely will not come Bremen's way or go to any other shipyard in the FRG." Internationally, German shipbuilding in the 1980's will have to seek its competitive advantage in know how--in technologically high-quality special shipbuilding.

The German shipyard industry itself repeatedly stresses its proficiency and competitive capability. In spite of the high level of production costs, wage costs and fringe benefit costs, German shipbuilding does

not fear European competition, if competitive distortions are eliminated. Even in international concern, it considers itself to be competitive. Furthermore, reference is made to the fact that in the current extraordinarily difficult crisis we have seen proof of an enormous capacity to adjust. Since 1975 about 20,000 employees have left the new ship construction sector, and it is hoped that a new level of employment has thus been reached which can be supported.

The shipyards plan on a total of 23.4 million production hours in new merchant shipbuilding in 1980. Compared with 54.7 million hours in 1975, this amounts to a cutback of about 57 percent. High-quality special ships and complex transport systems are to be the main production focus. In this sector the VDS also sees good opportunities to hold its own in the competition with the low-wage countries, for they lack experience, a trained staff of skilled workers, the necessary research and development capacities and an efficient shipbuilding subcontractor industry.

In view of the reduced activity in new merchant ship construction, activities in other sectors are to be intensified. Opportunities in this direction will, however, continue to be limited. Nothing about this is changed at all by statements of many federal and land politicians who, as if often seems, see a patent solution in the call for diversification. As matters stand, however, we can nonetheless speak of substantial successes in this sector, successes which of course also have their "side-effects."

Thus, for example, German instrument builders are following with "uneasiness" the efforts of the shipyards, in their search for manufacturing unrelated to shipbuilding, to penetrate the instrument sector. The Central Association for Medical, Heating and Air-Conditioning Apparatus complained that many small and medium-sized handicraft businesses in the German coastal Laender see their existence threatened by state subsidies to support jobs in the shipyard industry. On the one hand, the shipyards will handle orders today which they formerly would have passed on to the trades, and on the other hand, shipbuilding firms are competing today in the search for orders that are not in their line of work. Thus, the crisis in the shipyards by no means leaves adjacent sectors untouched, as the entire complex must generally be viewed in terms of the overall economy; for example, the very large subcontracting industry, which is distributed throughout the entire FRG, is also suffering from the shipyard crisis.

In March 1979, Minister of Research and Technology Volker Hauff contributed to the discussion in Kiel at that time by pointing out that, on the basis of the advantages of location that the shipyards have for diversification, there are at present markets which can be opened up with the aid of marine technology and ocean research in the broad sense. Although the German share of the world market volume for marine-technical products and services now amounts only to about 5 percent, and the overall prospects for the German economy to increase this share significantly

must be characterized as definitely limited because of the unfavorable geographical location, on a medium-term basis there are in subsectors good opportunities which the shipyards could also utilize. Among these the minister included:

Installations and systems for obtaining hydrocarbons in bodies of water with especially high requirements; for example, at depths over 300 m or in Arctic waters;

Floating production and manufacturing installations;

Various kinds of special ships for new transport tasks and uses; for example, icebreaking tankers;

Services for offshore technology;

Processes for desalination of sea water;

Installations for ocean mining.

Thus, in a very rough way, it can be established that the German shipbuilding industry must move with a part of its capacity into sectors unrelated to shipbuilding and must concentrate the remaining volume (the larger part of the total capacity) mainly on the building of high-quality and special tonnage. Based on modern installations and a trained staff of skilled workers, it will then have no reason to fear for its survival.

A federal program, which was adopted on 17 January 1979, is helping overcome the present crisis. One day later the budget committee gave its approval. Basically, the program provides for German shipyards, as a crisis measure for a set period of time, to receive order assistance for technically higher quality ocean vessels amounting by computation to 10 percent of the contract price for 1979--including December 1978--and 1980 and 7.5 percent for 1981. The aid can be claimed only if orders are received. The shipyards receive support in the form of individual credit limits for their own company's disposition. In individual cases they may choose the aid rate itself between 0 and 20 percent. Assistance received must be repaid from half the profits during the period 1983-1988. To the extent the shipyard makes investments up to 1988 which not only result in expansion of existing shipbuilding capacities, half of this can be deducted from the repayment obligation, independent of any other investment aid.

The Laender in which the shipyards that claim the order aid are located must have one-third participation in the additional costs of this measure. Some DM 490 million are being made available from the federal treasury.



While the aid was generally welcomed by those concerned, the Brussels EC Commission added a bit of seasoning. To be sure, it approved the shipyard program of the FRG and the coastal Laender in principle, but it did impose two restrictions: Whereas Bonn wanted to extend to 1981 the support actions which were designed on the basis of Article 6 of the applicable EC guideline--permission for subsidies as crisis measures--Brussels issued initial approval only for 1979 and 1980. Moreover, Brussels struck out the aid for labor-intensive remodeling work which had been accorded particular value along the coast. The most spectacular example of this is the rebuilding of the former "France," now the "Norway," at the Hapag-Lloyd Shipyard in Bremerhaven.

#### The Situation at Individual Firms

By way of supplementing the above overview of the situation in the German shipyard industry, let us now take a look at the situation in some of the individual firms in this branch in the FRG.

Blohn + Voss, Hamburg: In spite of the structural crisis in world shipbuilding that has been going on for 4 years, this large shipyard was able not only to reach the highest level of new orders in its more than 100-year history last year, 1978, with almost DM 2.3 billion, but for the first time in 10 years it was able to pay a dividend to stockholders. This closing statement, which is virtually atypical in the present-day shipyard landscape, is not least attributed to the restructuring process which was introduced in a timely manner and was "largely successful." Thus, the share of new ship construction, which in 1975 accounted for over 50 percent of total production with DM 442 million and 4.1 million production hours, was reduced to under 10 percent in 1978 with DM 60 million and 0.5 million hours. During the press conference on the annual balance sheet in April of this year, the shipyard's executive board mentioned a volume of orders that was more than 5 million direct labor cost hours. Included in the sector of new shipbuilding were a floating dock with 10,000 tons lifting capacity, 20 customs boats for Argentina, a dwelling unit for an offshore platform and 5 frigates, 2 of which are for the Federal Navy (type F 122), 1 for Nigeria and 2 for Argentina (type MEKO 360). In addition, there was a letter of intent for two crane ships (Suez Canal Authority). At the beginning of 1979, Blohm + Voss had about 6,440 employees.

Bremer Vulkan, Bremen-Vegesack: The closing statement for 1978 that was likewise presented in April of this year, is, according to the statements of the shipyard's executive board, totally characterized by precautionary measures. No dividend was paid for the first time since 1971, since it is considered poor style on the one hand to demand aid from the state, and on the other hand to pay dividends. In 1978, three orders for new construction were received which could not guarantee full employment in 1979 and even less than that in 1980. The upshot of this is additional



# Production and New Orders in German Shipbuilding

Ship Type	Completed			Acquired		
	Number	GRT	Percent	Number	GRT	Percent
Freighters	64	355407	38.9	56	124334	53.4
Container ships	11	318523	34.9	6	36498	15.7
Ferries, automobile transports						
Ro/ro [roll-on] roll-off] ships	5	30259	3.3	13	42730	18.3
Tankers, including product tankers	4	8688	1.0	2	2599	1.0
Gas and chemical tankers	5	81565	8.9	--	--	--
Bulk cargo ships	1	74500	8.2	--	--	--
Fishing vessels	6	1337	0.1	1	500	0.2
Tugs	6	1100	0.1	4	750	0.3
Offshore units, including supply ships	8	21488	2.4	5	8800	3.8
Other ships	29	19771	2.2	33	16705	7.2
Total	139	912638	100.0	120	232916	100.0

short-time work. The company's goal is to guarantee the operational readiness of the shipyard with its 3,340 workers. New orders were for a large passenger ship (the "Europa") which, however, also involves other shipyards, a container ship and a special liner. In addition, the order inventory included 6 frigates of the F 122 type, a ro/ro [roll-on/roll-off] ship and the remodeling of 4 larger ships.

AG "Weser", Bremen: There was little good news from this company. The company, which is a part of the Krupp conglomerate, showed a loss of DM 7.3 million for 1978, and even for the current year the parent company is again being asked to help with money. This time, of course, substantially more because the situation has worsened. According to the executive board, the company in Bremen is living "from hand to mouth." To date, it has been 4 years since the shipyard received the last new order for a merchant ship. Apart from participating in the frigate program of the Federal Navy and helping build the passenger ship "Europa," there is little good news to report. This is also true of the Seebeck Shipyard in Bremerhaven, a subsidiary. Of the total volume of orders amounting to a good DM 500 million, DM 122 million went in the middle of the year to the large shipyard in Bremen with 5,900 workers and DM 378 million to the Bremerhaven operation. With the orders on hand, the plant in Bremerhaven can operate at 90 percent capacity and the one in Bremen at 30 percent. In searching for business they have even gone into the scrapping business.

Hawaldtswerke-Deutsche Werft AG (HDW), Hamburg/Kiel: Although this largest German shipyard showed a balanced result for the fiscal year that ended on 30 September 1978 that can in no way obscure the fact that they have had to struggle with substantial difficulties. The new structural design, which was put forth at the beginning of 1979, contains further substantial trimming in Hamburg and Kiel. When presenting the annual report, the company still had a number of orders to build merchant ships and special ships; this guarantees operation in these sectors until about mid-1980 and until the beginning of 1982 (special shipbuilding), respectively. Some 23 merchant ships and 17 submarines are still on the order books. The volume of orders in terms of value, which of course for the most part had to be acquired at prices that do not cover costs, amounts to over DM 2 billion. Even for the current year there is hope for a balanced statement, with, of course, a negative operating result. Last year HDW decreased its personnel by an additional 5 percent to the present 13,100 employees.

Flensburger Schiffsbau-Gesellschaft (FSG), Flensburg: The FSG has continued to reduce production capacities in new ship construction, a reduction that is in line with its company plan for the transition to the 1980's, and, in contrast to 1976, it has reduced the volume of production hours in the shipyard enterprise by more than 50 percent. At mid-year the FSG had orders which will keep the shipyard occupied until mid-1981. New construction orders, of course, could only be obtained with the use of financial reserves.

Schichau-Unterweser AG, Bremerhaven: Following a bad crisis, which could only be overcome with the help of the Land Bremen, the company now seems to feel it has its feet on the ground. Presently on order are a bucket-conveyor dredge and three ferries, which will guarantee work until the fall of 1980.

Schulte & Bruns, Emden: The shipyard is being closed permanently. Efforts by the receiver to maintain the shipyard, which went into bankruptcy in October 1977, and its jobs finally collapsed in March of this year. The shipyard had employed about 400 workers prior to instituting proceedings for bankruptcy.

#### Outlook

One thing is certain: The crisis in international shipbuilding is still far from being overcome, even if this person or that thinks things are beginning to look up. Frequently that must simply be attributed to an optimistic basis attitude which, of course, is not cause for objection, or the silver lining is to be understood as being sectoral or regional. The situation is of course not uniform, not nationally and definitely not internationally.

Before the situation improves overall, much has to be done, and specifically in the most diverse areas:

We have already spoken at length about shipbuilding itself. It will have to be trimmed down even more. But in any case, the unhealthy policy of subsidies must be rethought. People in most of the traditional shipbuilding countries will have to put up with a new distribution of shipbuilding capacities. From the point of view of volume, the focal point will clearly be in Southeast Asia/Japan and no doubt also in Brazil, while, with the demand for higher quality technology, shipyards in Western Europe will also have an advantage in the future;

The shipowners will also have to contribute their part to the solution, because shipping and shipbuilding, as everyone knows, are closely connected and a crisis in one sector always affects the other. In the future many a shipowner should ask himself more seriously whether an order for new construction is actually necessary. Over a certain period of time these orders, which under certain circumstances will be cancelled, will only provide the shipyards with "skim milk," but when viewed on a medium-term basis this will surely contribute to the recovery of the markets. Only with "real" orders, only with orders which the transport markets can also absorb, is everyone ultimately served, because then long-term planning will be possible again;

Not least, the state will also have to think up something new; not only in the area of subsidies, but also whether, for example, with certain special

requirements, outdated tonnage cannot be removed from service. Intensified requirements for environmental protection and safety present themselves at this point.

Viewed on a long-term basis, firm footing can once again be detected for an international shipbuilding industry which has undergone healthy shrinkage and restructuring because given the many uncertainties that appear to be confronting it at the moment, one thing is certain: The world population will continue to grow and consumer demand will continue to rise. Thus, the exchange of goods by the economies among one another will be strengthened in the sense of further progressive worldwide division of labor. Shipping will profit from this, from the higher ocean transport capacity thus required, and that in turn will be the opportunity for the shipbuilding industry, which must build the suitable ships.

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CSO: 3103

## LAMBSDORFF WARNS OF PRICE EFFECTS OF FUEL COST RISE

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 29 Dec 79 p 1

[Text] Federal Economics Minister Lambsdorff now urges that oil company records be published in full. Following the latest increases in crude oil prices Lambsdorff considers it even more important for the public to get a closer look at oil industry costs and profits. For some time past the major oil companies have been sending quarterly reports of their profit situation to the Federal Ministry of Economics. Lambsdorff does not think that this internal information still corresponds to the situation on the oil market.

The Federal Ministry of Economics and the oil industry are already engaged in talks about greater intelligibility of fuel and gasoline prices (to use the Bonn term). In the meantime the oil companies have declared their readiness to allow their figures to be published via the Economics Ministry. Lambsdorff, however, refuses to let his ministry become an intermediary for oil industry information. He does not wish the impression to arise that his ministry is officially countersigning the data, not even by simply passing on information. Due to this dispute it has now been suggested that the data provided by the oil industry be published by a third agency, possibly the Federal Office for Trade and Industry.

Lambsdorff was obviously put out by oil industry announcements that early next year gasoline prices will have to rise by 10 pfennig and oil prices by 5 pfennig. He warns of hasty decisions, pointing out that nobody can as yet foretell the extent of the actual rise in crude oil prices. If the oil companies are raising their prices now, he is bound to view this as a conspiracy in the meaning of the antitrust law. Lambsdorff made a point of showing his disapproval of last weekend's price agreements.

The Federal Ministry of Economics also considers it urgent for the markets, especially the oil business, to be subjected to stiffer controls by the antitrust law enforcement agencies. The Federal Government hopes to obtain the tools for doing so from the imminent fourth amendment of the antitrust law. The proposals for the amendment provide for the introduction of controls to prevent abuse to the effect that the cartels office is to be given the opportunity of investigating even past abuses and to skim off excess profits. As



the law now stands, prohibitions by the cartels office may take effect post facto only, and possibly only following examination by the courts.

Lambsdorff also warned against using the higher prices of crude oil to sow pessimism about the future of the economy. Of course the world economy would suffer by the steady inflation of oil prices. Nevertheless he thought that the Federal Republic had a very good chance to cope with the new price increase. Lambsdorff was optimistic about employment and price trends in 1980. Once again he opposed a speed limit on the motorways and a ban on Sunday driving.

By April or May Guido Brunner, EEC commissioner for energy, expects gasoline prices to range from DM1.20 to DM1.30. In a newspaper interview he said that he no longer excluded the possibility of fuel oil costing DM1 per liter. To halve oil imports by 1990 the oil companies would, among other measures, have to pay an energy import levy, no oil heating installations would be allowed in new buildings, private building owners would have to be granted more tax relief for energy conservation and more coal fired power plants constructed.

11698

CSO: 3103

## WISCHNEWSKI: COALITION TO AVOID MANDATORY ENERGY CONSERVATION

Bonn DIE WELT in German 27 Dec 79 p 2

[Text] The coalition parties SPD and FDP intend to trust the sense of responsibility of Germans and forego mandatory energy conservation as far as at all possible. In an interview with "Deutschlandfunk" deputy SPD chairman Hans-Juergen Wischnewski also said that, in view of the profoundly worrying price increases, even more energy would have to be conserved in future. Helmut Haussmann, economic spokesman of the FDP Bundestag group in Bonn, called for a conservation program for medium firms which would permit them to introduce energy conserving production methods just like larger corporations.

## A Revolving Fund

Haussmann announced that he intended, within his parliamentary group, emphatically to champion the preparation of a "capital aid program for energy conservation investments" for inclusion in the first supplementary budget of 1980. According to this program firms with no more than 500 employees and a turnover not exceeding DM50 million are to receive government capital aid up to DM500,000. In Haussmann's view these moneys could be funneled through the ERP [European Recovery Program] and should be repayable later to a "revolving fund."

Gerhard Stoltenberg, deputy CDU chairman and Schleswig-Holstein minister president, foresees the danger of a "real crisis in energy supplies" arising in the 1980's. Due to the "disastrous conflict" in the SPD "regarding the utilization of nuclear energy" the years since the 1973 "oil shock" had been wasted, said Stoltenberg in an interview with the LUEBECKER NACHRICHTEN. He recorded with "much dismay" that the proportion of imported oil "in our energy balance was about 51 percent this year, that is just about the same as in 1972."

Stoltenberg accused Federal Chancellor Helmut Schmidt of neglecting his intellectual and political leadership duties in the energy discussion of the past, both vis-a-vis his own party and the public at large. In Bonn government spokesman Klaus Boelling contradicted him, saying that hardly any other Western chief of government had "as resolutely and tenaciously fought for a

far sighted energy policy." Next year also, in view of the expected oil shortage and rising prices, Schmidt would advocate a common energy policy for the Western industrial countries. This would mean that selfish national interests would have to take a back seat in favor of the workability of the European Community and the West as a whole.

#### No More Careless World

Boelling indicated the Federal Government's expenditures of millions on the search for and development of alternative energy sources. At the same time the government wished to strengthen the citizens resolution individually to conserve energy "because the careless energy world is not going to return ever again." Regarding the nuclear energy issue he challenged Stoltenberg to exert his influence on his confreres Franz Josef Strauss and Ernst Albrecht instead of accusing the government. By making available facilities for intermediate nuclear disposal these two could provide the conditions for the limited expansion of nuclear energy.

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CSO: 3103

## GOVERNMENT DECIDES ON PROGRAM FOR ANTARCTIC RESEARCH

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 27 Dec 79 p 21

[Text] In mid-December the Federal Republic of Germany enacted a program for Antarctic research. The sum of about DM290 million is to be made available through 1983. This money is to be spent on the construction of a scientific station in Antarctica and a polar research ship, expeditions are to be financed and an institute established in Gremen. The institute is to bear the name "Alfred Wegener Institute for Polar Research," in honor of Alfred Wegener who lost his life on an expedition to Greenland in 1930.

Antarctica is one of those territories which crucially affect the earth's weather. Due to the great reflective capacity (albedo) of ice, vast icy areas in the Polar regions serve to cool the atmosphere. The falling temperatures in turn cause more icy areas which reflect additional solar radiation and thereby speed the cooling process. The consequence may be an ice age.

Smaller icy areas do not lower temperatures so much. At higher temperatures, in turn, more sea water is lost by evaporation. Clouds form which do not allow the sun's rays to penetrate to the earth's surface. As a result the temperature falls and nullifies the earlier rise. Antarctic research is therefore of particular importance to meteorology.

A contribution to our understanding of ice conditions in Antarctica was recently supplied by drillings carried out by researchers of the University of Maine on the ice shelf off the Ross Sea (NATURE, Vol 282, p 703). Temperature measurements at the various levels of the drill core allowed the conclusion that the ice cover at this particular point thickens by about 30 cm annually.

The ice cover of western Antarctica is located in a basin within the continental shelf which does not rise above sea level. Toward the sea the ice cover diminishes to the extent that buoyancy may keep the ice in suspension in the water, thereby forming the large ice shelf regions (Ross and Filchner-Ronne ice shelves). As the thickness of the continental ice shelf rises toward the central ice cover in western Antarctica, it is possible that "running off" ice might ultimately cause no solid ice to be present anywhere in the region of the basin unless this progress is prevented by other processes.

Should the thickness of the ice cover on the Ross Ice Shelf remain constant throughout the centuries, the continuing flow of the ice would have to diminish to a sufficient extent by melting from below, where its underside is immersed in warmer sea water. To find out whether such melting actually occurs, temperatures were carefully measured at the various strata of the drill core. However, the course of the temperature in relation to depth could not be made to agree with this assumption. Instead it indicated that no more than a maximum of 8 mm of ice per annum could melt at the underside of the ice cover. The consequence is the growth of the ice cover already mentioned and the ensuing expansion by about 1 km per annum of the region where the ice is located on solid ground.

The planned German research projects in Antarctica include, among others, studies of the physical-chemical structure of the Filchner-Ronne Ice Shelf and the dynamics of sea ice in the Weddell Sea. Mountain and rock formations in Antarctica are to be researched and their history decoded. In the area of meteorology and oceanography it is intended to research the effects of the polar regions on the earth's climate, the behavior of trace gases in the atmosphere, the formation and expansion of groundwater as well as the heavy metal content present in the Antarctic Ocean.

In the meantime the expedition has left on its 3-months exploration tour. It is to fix the location for the German Antarctic station on the Filchner-Ronne Ice Shelf--presumable start of construction in the Antarctic summer of 1981 (January through March). Seventeen German scientists and--as guests--two Norwegian and two Argentinian scientists are on board the Norwegian research vessel "Polarsirkel" which left Buenos Aires on 18 December. Their equipment includes two helicopters, a tracked vehicle, two motorized sleds, a hydrocopter, a biological and a physical laboratory. Heinz Konec from the Institute for Geophysics at Muenster University is leading this first German expedition since the 1938/1939 Schwabenland expedition.

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CSO: 3103



## NATO ARM'S DECISION EXACERBATES SPLIT BETWEEN CP FACTIONS

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 24 Dec 79 p 2

[Report by W.A.: "Increasing Pressure on Helsinki"]

[Text] Stockholm. Finland is threatened with increasing involvement in the arms strategic dispute between NATO and the Warsaw Pact. Though it is a member of neither alliance, the neighboring Soviet Union is once again questioning the country's neutrality. Four weeks ago, following the Western arms modernization program, Moscow first pointedly recalled the "treaty of assistance" which, in case of war, would bind Finland to the Soviet Union. Now the orthodox wing of the Finnish CP--which operates strictly as per the instructions of the Kremlin--has gone a step further. It intimated that Finland should confine itself primarily to "political defense," leaving military defense to the Soviet Union.

The newspaper TIEDONANTAJA, mouthpiece of the so-called minority communists, commented that the treaty of friendship between Helsinki and Moscow, dating back to 1948, should be interpreted as signifying that the Soviet Union would take charge of Finland's defense "at the very moment" that Finland's "political means" were exhausted in the matter of warding off a threat from "Germany or countries allied with it." In addition, given the "perilous situation" in Europe, it would be necessary once again to discuss the details of the mutual assistance treaty.

The communists--totally subservient to Moscow--are obviously alluding to that article which provides for Finland to yield its neutrality in any "conflict between the superpowers," accept military aid from the Soviet Union or, should this not suffice to ensure "self-defense," surrender its entire territory to the alliance with the Eastern neighbor. Admittedly, in a kind of precondition the treaty specifies that bilateral negotiations must take place to ascertain whether a "threat" in fact exists. Apparently, though, the minority communists consider this clause obsolete, because even before their latest interpretation of the mutual assistance treaty they persistently advocated joint Finnish-Soviet military exercises which are not mentioned in the treaty at all.

Of course it must be assumed that the orthodox wing of the party will also acknowledge its vassalage to Moscow. At any rate, Soviet "commentator" Yuri Komisarov who has for years been the Kremlin's mouthpiece in Scandinavian affairs, recently proclaimed the appropriate slogan. At the first climax of the Eastern propaganda campaign against the NATO arms modernization plan he thought it necessary to advise Finland--and Sweden--that, in case the missiles to be emplaced in Western Europe were to be fired at the Soviet naval base of Murmansk, they might "invade" the airspace of both countries and thereby raise the question "of the right and the obligation of the defense of their territories integrity." Though Sweden sharply rejected this interpretation, Finland--reminded once more by Komisarov of its "contractual obligations," was unable so easily to escape the attack.

Nevertheless everything was done in Helsinki at least not to offer any opening to these recent forays. Government and parliament, schooled at least since World War II in the diplomacy of brave self-assertion, endeavored to take the wind out of the Soviet sails by expressing their "profound concern" regarding the NATO arms modernization program. Finland is also advocating a European disarmament conference in order by this means also to escape the danger of being drawn into the conflict between NATO and the Warsaw Pact. Moscow and the subservient Finnish minority communists, though, seem unwilling to be satisfied. The latest assertion of these communists that Finland should, in defense matters, submit completely to the discretion of the Soviet Union conforms to the line initially indicated by Komisarov 4 weeks ago.

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CSO: 3103

## SORSA SEEKS TO LEAD SOCIALISTS TO 'NEW ORIENTATION'

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 4 Dec 79 p 5

[Article by W. A.: "Finnish Socialists Indulge in Self-Criticism--Propose a New Basic Program--Reservations About Kekkonen"]

[Text] Helsinki, 3 December--Self-criticism is being heard among the ranks of Finnish Social Democrats about governmental excesses in the welfare system which they themselves helped to create. According to Sorsa, the chairman of the biggest national party, the party can no longer ignore the dangers of a growing alienation between politicians and citizens that has occurred as a result of a continuous expansion of the bureaucracy and the various vested-interest organizations. The former prime-minister therefore advocates a comprehensive revision of his party's platform, which dates from 1952. In an interview with this newspaper, Sorsa intends shortly to raise the subject with the Social Democratic leadership and to submit new guidelines for adoption to the next party congress in 1981.

Although the party chairman admits that this may entail considerable controversy, he is willing to accept this, because after "collectively securing" social issues, "collective political commitment" must be reactivated. The Finnish people must lose its impression of being "manipulated" by the state, the political parties, industrialists and the labor unions. He says the politicians must finally realize that the younger generation has different ideas about the "quality of life" than those that prevailed during the establishment of the welfare state in the 1950's and 1960's. "Democratic socialism" cannot and must not have as its objective a continuously growing influence by government. Rather, this tendency must be obviated by decentralization, because this is the only way in which "societal creativity," which has been lost in nearly all fields, can be regained.

The new orientation desired by Sorsa, particularly in his own party, must primarily be viewed against the background of this year's election gains scored by conservatives in all Scandinavian countries. Certainly, no north European Social Democratic party chief other than the Finnish one has so far advocated political reorientation in as self-critical a manner.

Sorsa has even been disagreeing publicly with President Kekkonen's internal policies. In a shortly to be published book by Social Democrat member of parliament Tikka, excerpts of which were published in the Finnish magazine HYMY ("Smile"), the party chairman accuses the president of increasingly avoiding necessary reforms. He states that while during the 1950's and 1960's the Social Democrats and Kekkonen, who had come from the Farmers' Center Party, had followed essentially identical party lines in matters of social policy, this is hardly the case anymore.

Inasmuch as in Finland it is most unusual to see an individual party leader criticizing the president, HYMY felt justified in speaking of "this fall's political bombshell." Actually, the publication was referring more to some remarks made by Sorsa in the aforementioned book concerning the question of Kekkonen's successor. While the Social Democratic party chief thinks it "entirely possible" that the president could once more be a candidate for reelection in 1984 (at which time he will himself be 84), Sorsa flatly announced the candidature of his own Social Democratic nominee.

For some time now, the candidate with the best prospects has been considered to be present Prime Minister Koivisto, inasmuch as Kekkonen himself, when reelected in 1978, called a delegate who asked whether he would again be a candidate in 1984, a "joker." It is believed that Sorsa, too, has his eye on the top job. In any case, he recently admitted that despite "mutual esteem," there are political disagreements between himself and his successor Koivisto. This will make it all the more interesting to see whether and to what extent Sorsa the philologist and Koivisto the philosopher will be in agreement on a new party platform.

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CSO: 3103

## USSR CONCENTRATES PRESSURE AGAINST FINLAND IN DRIVE AGAINST NATO PLAN

Zurich NEUE ZEITUNG in German 27 Nov 79 p /

[Article by correspondent "Ch. M.," signed to press Copenhagen, 25 Nov 79: "Massive Pressure by the Kremlin Against NATO Armament Change--Moscow Cites Assistance Clause With Finland"]

[Excerpt] Gromyko's abrasive final appearance in Bonn relative to the NATO missile rearmament is being complemented by further intensified Kremlin pressure on the northern flank. Along with this, Moscow is ominously mentioning for the first time in many years the consultation clause in its 6 April 1948 assistance treaty with Finland. While not yet citing this old built-in threat of the treaty in a formal diplomatic fashion, the Soviets are evidently attempting to further shake up Norway's and Denmark's attitude about the NATO modernization by way of a tried and tested back door. Denmark, whose Prime Minister Joergensen recently answered Brezhnev's note about the East Berlin offer in a relatively steadfast tone, has already taken at least a tentative step backward into a nebulous and hardly realistic noncommittal position. In Norway, where government chief Nordli has in the meantime answered Brezhnev in a manner which was criticized in Oslo as being too mild, no final position has been established on the missile question; but even there the number of opponents is growing.

"Disturbed Equilibrium"

The Soviet hint about the consultation clause is contained in a fairly long article in the Finnish weekly SUOMEN KIVALETHI. It is signed by Juri Kemmisarev, a signature that indicates the most highly authoritative authors collective responsible for statements relative to the northern situation. The most significant passage deals with the growing danger on the Soviet northwest border caused by the NATO rearmament plans, a situation that urgently raises the question of Swedish and Finnish defenses. The article says that in this context it would seem appropriate to bear in mind Finland's and the USSR's obligations with respect to the military clauses of the friendship, cooperation and assistance treaty. The article refers to the problem of an attempt to change the present equilibrium and to disturb the peaceful status in an area directly bordering upon the USSR. The "change in equilibrium" is discussed in the light of statements made last year by Sweden's then



foreign minister and present State Secretary for Foreign Affairs Blix, while "Kommissarov" asserts the "purely defensive" nature of Soviet positions in the northwest and in the Baltic. The presence of six submarines equipped with nuclear missiles in the Baltic (older, diesel-propelled "Golf II" submarines) is thereby confirmed by the Soviets for the first time. At the same time, they denounce the "unseemly excitement" about this fact, which has existed since 1976.

#### Concessions by Finland

When in the fall of 1961 Khrushchev, on the occasion of the Berlin crisis, attempted to force the Finns into joint consultations by invoking the assistance treaty, Kekkonen, who immediately rushed to Novosibirsk, had to change Moscow's intentions during long drawn-out efforts at pacification. The concessions that had to be made on that occasion still have a strong influence on Finnish politics. The most recent disarmament initiatives and statements by Prime Minister Koivisto in which he charges the West with unilaterally disturbing the equilibrium are the last links in a long chain of the Finnish policy of "consideration."

02/3

CSO: 4103

## PAPER COMMENTS ON GOVERNMENT REACTION TO U.S. IRAN APPEAL

Helsinki HELSINGIN SANOMAT in Finnish 22 Nov 79 p 2

[Editorial: "Iran, the U.S.A. and Finland"]

[Text] Deliberating the fate of Finland, J.K. Paasikivi once asserted: "The existence of small states chiefly depends on moral factors."

The observation of agreements is an important part of international morality. When we transgress against the principles of diplomatic inviolability, we violate the entire body of international law, jeopardize our otherwise slight chances for international cooperation and weaken moral factors.

It is particularly impossible for a small country to approve of a foreign policy such as the one Iran's new rulers are now consistently practicing: the occupation of an embassy, the using of helpless hostages as means of inflaming religious passions and applying political blackmail.

The American ambassador has also appealed to Finland on behalf of the hostages. In his reply, Foreign Minister Paavo Vayrynen said that all governments should unreservedly observe the provisions of the Vienna Treaty governing diplomatic relations. The Iranian ambassador was also deliberately informed of the adoption of such a position, which indirectly condemns the events that have occurred in Tehran. However, the Iranian Revolutionary Council feels that the treaty, which was signed during the shah's regime, is not binding on it.

On the other hand, Foreign Minister Vayrynen told the American ambassador that the Finnish Government does not want to take a stand on the dispute between the United States and Iran other than to emphasize that it ought to be resolved without force and in accordance with the United Nations Charter. The second part of this position statement does not deal with the fate of the hostages, which the government has taken a stand on in stressing the importance of applying the provisions of the Vienna Treaty; rather it deals with the differences arising from the occupation of the embassy.

Finland's reply to the American appeal does not even begin to respond to the opinions aroused among Finns as a result of the events in Tehran. Our foreign minister's statement also seems extremely noncommittal in comparison with the statements made by the Norwegian and Swedish foreign ministers, to be sure delivered in quite different contexts. In its skimpiness, Foreign Minister Vayrynen's statement is open to interpretations that do not offer a very flattering picture of the government's courage in defending what most Finns feel is right.

On the other hand, we should remember that the government cannot react to world developments in the same way as private citizens can and that official Finnish foreign policy statements have for a long time now been unenthusiastic and restrained. In this case, making a big noise would have meant acting inconsistently and uselessly from the point of view of the main issue, the fate of the hostages. Still, there is good reason for maintaining that Finns expect their government to take a clearcut stand on those moral issues on which our national existence in the final analysis depends.

11,466

CSO: 3107

KOIVISTO: MORE STABILITY THAN MEETS THE EYE

Stockholm SVENSKA DAGBLADET in Swedish 4 Dec 79 part II pp 1, 3

[Commentary by Ingmar Lindmarker]

[Text] Political stability under the surface of the change in government gives Finland the opportunity for continued steady economic development. What is needed in the eighties is more highly productive new investments and an already noticeable understanding in the labor union as for a decrease in indirect wage costs.

This is how Prime Minister Mauno Koivisto summarized the situation in Finland in an interview with SVENSKA DAGBLADET at the impressive ministry palace at Senatstorget.

The 56-year-old Social Democrat Koivisto is the man of the people whom the women of Finland are going to elect president in 1984. This is what they say in Finland and many people believe the joke will become reality.

Urho Kekkonen is not expected to run for reelection in 4 years when he will be well over 80 years old and will have had enough of power. According to the polls, Koivisto enjoys overwhelming popularity among the voters--54 percent against 6 percent for his nearest opponent--and radiates power and honesty, which currently makes him Kekkonen's obvious successor.

"Any comments?"

"None."

Latent Power

Koivisto is more talkative about the office of the presidency itself and the political situation. He believes that the Finnish president, to be sure, has more power than in most parliamentary ruled countries, but he has used it to the fullest "very seldom."

"The president has the same mandate from the people as parliament," says Koivisto. He is elected by the people. His authority is almost latent and I would call it total rather than partial."

### Stable Under the Surface

During the seventies Finland had 11 governments and the present one is Koivisto's second. But under the surface there is stability and continuity, the prime minister says. Even though governments have succeeded one another, the governments base has remained almost unchanged and the people about the same. He draws parallels with the third republic in France.

"In Reykjavik when someone spoke of political instability in Scandinavia, I said that governments come and go but the politics are the same."

For Mauno Koivisto, Ph.D., who has come a long way after being born in a poor worker's family in Turku, the economic progress in Finland is "quite favorable."

He hopes that this year's increase in production by about 7 percent will "almost automatically" bring an increase during 1980 of 4 to 5 percent. "After lengthy discussions," the government has come to the conclusion that the risk of over-stimulation is small.

The commune elections next year can make agreement on the budget, farm policy, and wage policy more difficult, says Koivisto, who points to a change in attitude in the labor unions, however.

It is probable that the labor unions have begun to see the disadvantage in the very high indirect wage costs, he says. Employers' social expenditures amount to 50 percent of paid wages.

When he was head of the national bank a theory of the relationship between the costs of labor and capital was attributed to him, which was later developed by a pair of economists at the national bank. In brief, it states that labor has become much too expensive compared to capital.

Observers now believe that as prime minister Koivisto has managed to convince recalcitrant unions of the need for a slower rate of wage increases and more flexibility in using interest rates as an economic weapon.

"The really big changes have already been made," says Koivisto on structural changes in industry. After a long period of large investments in the infrastructure, it is time for highly productive investments, especially to make use of our technical skills.

More politician than economist? Mauno Koivisto speaks warmly of the good relationships with the Soviet Union. According to him, it is not a question of too much dependency on the Soviet Union for oil (Finland buys around 60 percent of its oil from there) but on the contrary, the Finns want to buy more than the Russians want to sell them.



Finland has 2 years to decide on continued development of nuclear power, says Koivisto. The first decision concerns the purchase of a new 1,000 megawatt nuclear powerplant from the Soviet Union and the prime minister cautions people not to let discussions of safety get in the way of a study of the project.

"Personally, I find it difficult to believe that there are any real alternatives to developing nuclear power here in Finland," Koivisto says. "Coal must be imported and, as to our own peat, you could say, just as with oil, it is too expensive to burn."

9136

CSO: 3109

## SILENCES ARE ELOQUENT IN FINNISH POLITICAL LIFE

Stockholm SVENSKA DAGBLADET in Swedish 4 Dec 79 part II p 3

[Commentary by Ingmar Lindmarker]

[Text] Finland is full of journalists who know a lot but do not write it.

This makes the informed Finnish debate more important and more interesting than that in Sweden.

In Stockholm it deals with what the papers are writing and in Helsinki--with what is worth knowing.

The real "subdebate" is going on in parliament's sauna, during lunch at the Savoy, at private coffees or over a mug at Ma:ski, at diplomatic receptions and in rented offices. Here everything is discussed that "is not talked about" in Finland.

It may be the latest on the Russian ambassador. "Everyone knows" that the new man Sobolev is a relief after the old one, Stepanov. The professional has replaced the party hack.

The Russians see the press as part of relations between countries. Kekkonen has accepted Moscow's way of looking at things and the Finns accept the fact that the president is the architect and guarantor for things being as they are.

Max Jakobson wrote about "the Finnish mystery" in EGNA VAGAR, that foreign observers often believe Finland's position and foreign policy make a mysterious impression.

## Rope Trick Politics

Many people believe, writes Jakobson, that Finland's foreign policy, as the Finns themselves describe it, is reminiscent of the Indian fakirs' rope trick.

If it were only that simple.

Domestic policy is somewhat less unfathomable, if everything dealing with presidential politics is disregarded. But here, too, the sources run dry when Sovietology is brought up, for example the rumors during last year's election that Moscow would not "tolerate" a place in the government for the victorious rightist party Kokomus.

It can be the president's cryptic statements or some new letter from Kekkonen to be added to the collection that has come to be documents for Finland's "kekkonologists."

"Everyone knows" that Kekkonen recommended Koivisto as his successor in a TV interview but that this segment was cut out at the president's request.

#### Kekkonen Said Nyet

"Everyone knows" that Kekkonen said nyet last year in the sauna when Ustinov (Soviet defense minister) began to speak of joint military maneuvers.

"Everyone knows," but nobody writes it. The president's real opinion and everything sensitive concerning relations with the Soviet Union is exempt from publication.

"If the Finnish press did not observe as fantastic a self-censureship as it does, things would hardly be going as well as they are," Karl-August Fagerholm wrote a year or so ago concerning relations with the Soviet Union.

Then there was probably no one who really knew.

Finnish politics can be easily comprehended only after reading Jan-Magnus Jansson in HUFVUDSTADSBLADET. He writes of "an almost astounding stability" behind the many changes in government--ten in the seventies alone.

However, since the thirties, with the exception of a few years, there has been "an eternal coalition." It consists at least of Social Democrats and Center Party Members and at most of the entire left and the entire center.

#### Does Kekkonen Want Block Politics?

The risk is that the pattern will become permanent, leaving no room for alternatives. The Coalition Party to the right is left out in the cold and parliamentary powers wane. Would block politics according to the Scandinavian model not be better--no coalition at all or a really broad coalition?

As always, the question is what the president wants.

In 1975, when the five "obligatory" coalition parties had squabbled for weeks about condition for forming a new government, Kekkonen scolded them in front of the entire nation and ordered them to form a government at once. A few hours later the matter was settled.

And who will become president in 1984?

Helsinki remembers the strange events of 1972 when Kekkonen first let it be known that, in spite of his stated unwillingness to continue, he was again available, after which he took back his promise and approved a hastily passed special law that extended his mandate.

Kekkonen, USSR, and EC

Then there were the leaks concerning the discussions at Zavidovo between Kekkonen and the Soviet leaders on Finland's relations with the EC. On that occasion the self-censureship was put to a severe test and since that time the directives emanating from Villa Ekudden carry much more weight.

Everything that remains unsaid, what the Russians really said, the effects on democracy and neutrality, and the great succession--all these things are taken up by the fascinating subdebate.

In Helsinki you must go to the sauna and listen to the silence, throw water on the stones, and inhale every hot pause with due consideration.

Well....

9336

1980: 3109

## FINNISH ENERGY ALTERNATIVES HEMMED IN BY SOVIET OIL SALES

Stockholm SVENSKA DAGBLADET in Swedish 4 Dec 79 part II p 9

[Commentary by Johan Myrsten]

[Text] The Finnish Government's two prime objectives in energy policy are to save energy and to increase the domestic share of the energy supply.

These plans are very similar to those of other industrial countries. But there is one complication. It has to do with oil.

"We cannot just think of energy policy. Among other things, we must also think of trade policy," as one of those responsible for energy policy put it.

Most of the oil is purchased from the Soviet Union and is paid for by export of goods of corresponding value. The Finnish Government seems unable to decrease the importance of the oil to the desired extent. For this reason, estimates of the share of oil (and natural gas) in the total energy supply for 1990 vary between 34 and 40 percent (see diagram).

"This is a very sensitive issue in Finland," our spokesman says.

Hardly anything is mentioned about this dilemma in the energy program approved unanimously by the government on 15 March 1979.

## Increased Share For Imports

The trends in energy supply since 1960 are made clear in the diagram. As energy consumption has increased, so has the share of imported energy, especially since supplies have been both abundant and inexpensive. Between 1960 and 1977 the figure rose from 42 to 75 percent.

The significance of domestic energy has dropped correspondingly. There has been a decrease primarily in the share of the category "other domestic energy," although the absolute amount of this energy has not fallen substantially. This category includes, among other things, firewood, forest waste, wood chips, small timber, and the like. But now the trend is to be changed.



The situation for the various types of energy is as follows:

Four nuclear powerplants will soon be operating, compared to two at present. The decision on a possible fifth plant has been postponed until 1982. It does not need to be put to use until the late 1980's and it is not included in estimates for 1990's energy plan.

Oil import is assured until 1985 by way of the 5-year pact with the Soviet Union, beginning last September.

An increase in natural gas imports from the Soviet Union is being sought.

There are no plans for a substantial increase in coal imports.

Hydroelectric power cannot be increased.

Peat is the domestic energy source that is primarily to be encouraged, at least until 1990. It is to be used primarily in central heating plants and industry, and to a certain extent for heating small houses in rural areas (in the form of briquets).

Wood chips from forestry waste can make a breakthrough during the second half of the 1980's, the Department of Trade and Industry believes. Reserves of wood chips are described as worse than those of peat.

Straw is used mainly locally and this will continue over the foreseeable future.

Energy forests will not gain great significance until the 1990's. Much research has already begun.

Use of and research in other energy sources such as solar, wind, and geothermal energy "shall be encouraged." Widespread use seems to lie in the distant future.

#### Counter Pressure To Be Used

Finland has invested more heavily than most countries in counter pressure and central heating plants. One fourth of all electricity is produced in this way, which is an unusually high figure. The explanation is that the large cellulose industry has long used counter pressure power and that the cold has forced the country to use a relatively large amount of heat from central heating plants.

A total of about 25 - 30 percent of the energy production goes to electricity, depending on the method of calculation. Around 10 percent of home heating is done with electricity, which has been much discussed.

Energy saving has been stimulated for many years with state funds. However, this is the first year any large sums have been distributed (nearly 200

200 million marks) and the effects are still difficult to measure. The funds are going primarily toward better insulation.

	IMPORTENERGI I % (1)					INHEMSK ENERGI I % (7)				TOTAL KONSUMTION OMVANDLAT TILL MILJONER TON OLJA (12)
	(2) OLJA (NATURGAS)	(3) KOL	(4) KÄRNKRAFT	(5) EL-IMPORT	TOTALT (6)	(8) VATTENKRAFT	(9) TORV	ANNAN INHEMSK ENERGI (10)	TOTALT (11)	
1960	23	18	—	1	42	12	0	46	58	10,49
1973	56	9	—	5	70	11	0	19	30	23
1977	57	11	3	1	72	13	1	14	28	22,82
1990 ALT 1	50	9	13	3	75	9	3	13	25	32
1990 ALT 2	34-40	10	13	3	60-66	10	7-10	17-20	34-40	30

Två alternativ för vad som kan ske med Finlands energiförsörjning fram till 1990: 1) Om i princip inga statliga åtgärder vidtas, 2) om regeringens energiprogram genomförs. Kalkylerna har gjorts av handels- och industridepartementet och bygger på ett antal antaganden, bland annat en årlig BNP-tillväxt på tre procent.

Key:

- |                           |  |
|---------------------------|--|
| (1) Energy imports in %   | (7) Domestic energy in %                                   |
| (2) Oil (Natural gas)     | (8) Hydroelectric  |
| (3) Coal                  | (9) Peat   |
| (4) Nuclear               | (10) Other domestic energy                                 |
| (5) Import of electricity | (11) Total   |
| (6) Total                 | (12) Total consumption computed in millions of tons of oil |

Two alternatives for Finland's energy supply up to 1990:

- 1) if practically no measures are taken by the state,
- 2) if the government's energy program is carried out. Calculations were made by the Department of Trade and Industry and are based on a number of assumptions, including an increase in GNP of 3 percent per year.

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CSO: 3109

## FINNISH EXPORT CONSTRUCTION OF GROWING IMPORTANCE TO ECONOMY

Stockholm SVENSKA DAGBLADET in Swedish 4 Dec 79 part II p 11

[Commentary by Johan Myrsten]

[Text] During the 1970's, Finland's construction exports shot sky-high--from several tens of millions of marks annually to around 2.4 billion in 1979.

This year, sales to foreign countries are expected to account for 10 percent of the construction industry's total income. The corresponding figure for Sweden is 7 - 8 percent.

Expressed in money, however, Swedish construction exports are still significantly higher than those of Finland.

The increase in exports has occurred at a rapid rate, as is seen in the diagram. The big jumps came in 1977 and 1978 as a result of large contracts in the Soviet Union and the Middle East. But in 1980, the increase is expected to cease because of a lack of experts (at present, 6,000 Finns are working on foreign construction).

"We believe the years of rapid growth are over. Now we will try to hold our ground," says Lauri Reunala, president of Finland's Association of Building Contractors.

As the competition in the international market stiffens, the Finns are seeking more partners for cooperation. Finland's construction companies are small compared to those in other countries--the largest ones have a turnover of 600 - 700 million marks per year. Export chief of the Association of Building Contractors, Kalle-Pekka Savelkosti was recently in South Korea for discussions on possible cooperation. President Lauri Reunala also emphasizes the Finns' desire for better cooperation with Swedish companies.

## Search Began In '75

The great search for orders abroad began when the strong push in construction at home reached its apex in 1973 to 1975. The search for jobs abroad coincided with an increased demand from both the Soviet Union and the Middle East.

Despite rapidly growing exports, the Finnish construction industry has had problems since exports have not really been able to replace decreased construction at home. In January 1979, unemployment among construction workers was higher than ever. Now, however, the situation is considerably improved.

The total value of presently pending orders is over 7 billion marks.

The largest group of customers is the eastern block (primarily the Soviet Union) with 48 percent of the contracts' value. The second largest group is the Middle East with 42 percent. Africa is third with 8 percent and Western Europe is fourth with 2 percent.

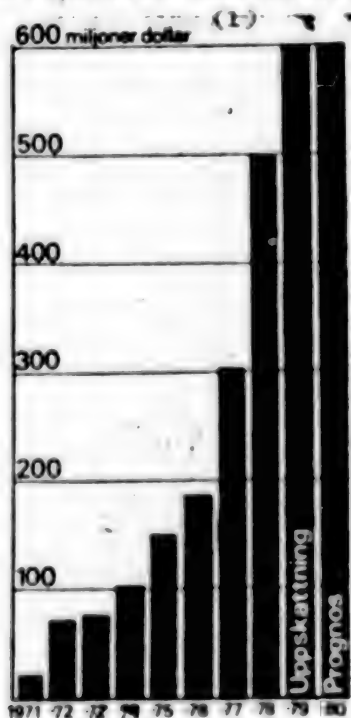
The most important customer countries are (in order) the Soviet Union, Iraq, Saudi Arabia, and Iran. Here, however, all construction is at a standstill.

The reasons for success in exports vary from country to country.

"In the case of the Soviet Union, we have certain advantages compared to other countries," says Lauri Reunala.

"The Soviet Union allows only Finnish workers at those projects and the communist-led construction workers' union allows no foreign companies to use its members."

However, the most important reason, according to Lauri Reunala, is the trade-exchange system between Finland and the Soviet Union. Basically, the more and more expensive Russian oil is paid for with Finnish construction.



Key:

- (1) Million dollars
- (2) Estimate
- (3) Prognosis

(2) (3)

Finnish export of construction grew very rapidly during the 1970's. The figures are in fixed money values (1978's) up to and including 1978, then in real values. A dollar is currently worth 3.80 Finnish marks.

## CONSTRUCTION FIRMS EXPECT IRAN PROJECTS HALT

Helsinki HELSINGIN SANOMAT in Finnish 21 Nov 79 p 28

[Article: "Finnish Firms Waiting for Iranian Economy to Clear Up; Huurre Oy Goes on with Construction of Cold Storage Warehouses"]

[Text] Iran's economic situation is still so uncertain that Finnish construction firms have for the present called a halt to trading operations and are waiting for the situation to clear up.

Only one of the bigger Finnish firms is still continuing operations in Iran, Huurre Oy of Ylojarvi, which is building cold storage and freezer lockers in the country.

Huurre Oy says that operations are at the present time proceeding at a relatively normal rate. During the reshuffling of Iran's current Ayatollah Khomeyni Government one customer was lost but now the firm has gotten a new one in its place.

Huurre Oy has two construction projects going in Iran, worth over 55 million marks. On the job, the firm has one Finnish worker supervising the progress of the work. Operations had nearly come to a halt between January and September, but since then they have gradually been resumed.

However, the Finnish construction contractors combine, Finn-Iran Contractors Group, has for the time being halted its Tehran plans, a construction project agreement amounting to about 700 million marks. Contacts are, however, being maintained so that Finland can get the contract for the construction project if Iran's economic situation calms down.

Originally the Finn-Iran Group had intended to build 63 15-story apartment houses. The apartments were designed to be used by Iranian Shah Reza Pahlavi's Imperial Guard.

At the present time, however, it seems unlikely that either the shah or his bodyguard will need new apartments in Tehran.

### Few Projects Completed

The Jaakko Poyry Company says that last January the completion of two of their planning projects was interrupted. However, we have constantly heard from the firm that the planned projects could be resumed at a later date. The company has completed some projects in Iran but it says that these are so few in number that they have had no effect on trade relations.

The Jaakko Poyry Company has planned mechanical logging industry complexes for Iran. Until the change of regime in January, Poyry also managed operations at the cellulose and paper mill located in Southwest Iran.

As far as is now known, the mill is running again, but only one paper machine out of three is in operation.

### Money Not Moving

The Bank of Finland says that, although Finland has made a number of big shipments to Iran, payments have been nearly normal. Finnish firms have not suffered any major economic losses.

At the moment Finland has several tens of millions of marks tied up in Iran.

Recently, for safety's sake, payments between Finland and Iran have been handled through documentary credit. Documentary credit is a kind of export credit which is backed by a bank of the country receiving the goods. As soon as proof that the goods have left Finland is received, the exporter can collect payment on the sale from his bank.

The Bank of Finland stresses the fact that documentary credit is generally only used in trading with customers from whom payments are uncertain.

### Neste Buys with Dollars

During the past few days the news has arrived from Iran that the dollar will no longer be acceptable as a means of payment in oil sales. Neste, however, says that this is not true, at least not as far as oil imported by Finland is concerned.

This year about a million tons of oil, which the Finns can pay for in dollars in accordance with the original agreements, will be imported by Finland.

Finland has not yet begun negotiations with Iran on oil that may be imported next year. This is particularly due to the current situation in Iran.

11,466

CSO: 3107



## COMMUNISTS, SOCIALISTS SPAR OVER CGT-CFDT ACCORD

## Controversial Carrassus, Feuilly Interview

Paris L'UNITE in French 16-22 Nov 79 pp 3-4

[Interview with Socialists Pierre Carrassus and Pierre Feuilly by Michele Kerpi: "The CGT Between the Devil and the Deep Blue Sea"; date and place not given]

[Text] Since the break with the left, PC (Communist Party) desires have come into conflict with CGT [General Confederation of Labor] determination to enjoy a certain measure of independence... and to lead the organization to commit suicide if necessary in the process!

Unlike the PC, the CGT did not burden the press with criticism at the time of the Boulin affair. Is this a sign of greater independence on the part of France's foremost union organization? What is going on inside the CGT? Has the opening advocated during the 40th Congress in Grenoble become a fact? Two active Socialists who also hold responsible union positions in the CGT, Pierre Carrassus and Pierre Feuilly, here answer these questions for L'UNITE.

L'UNITE: What role can active Socialists play in the struggles now going on?

Pierre Carrassus: The evolution of these struggles today reflects wage-earners' aspirations for democracy and dignity. At the same time, in the battles they are fighting, the workers are faced with an absence of short-term political perspective. Politically speaking, the only concrete thing for them is the support such and such a party may lend their fight. Obviously, in its frantic struggle to capture the leadership of the left the PC is Johnny on the spot. Hence the importance of the debate over the Socialist program with regard to the party's ability to support the struggles and, above all, the new domains of freedom to be conquered. There are new battlements to be found. What exactly conquering new domains of freedom means in terms of the struggles and current aspirations of the workers must be clearly examined: information for the wage-earner about the company

he works for considered in terms of the industrial and commercial environment, his rights of expression. We must also realize that the party has a new battlement to find, one not only of support, but also of political presence stemming from its program. We ought to be capable of proposing a political prospect. While the PC refuses to raise the problem of a political change, we have a privileged role to play, one which no one is anxious to perform for us.

L'UNITE: What problems do active Socialists in the field run into?

Pierre Feuille: Including the level at which these battles are fought, the biggest problem is the PC's refusal to propose a clearcut future prospect. Of course, it lends its support to the workers who are fighting. But in some places it imposes extremely harsh forms of action by depending on "fighting minorities."

L'UNITE: Can you give us specific and concrete examples?

Feuille: The most revealing one is the example provided by the steel industry. Without flourishes, we can say that the PC has, in vain, tried to impose its strategy of occupying companies, particularly at USINOR's [expansion unknown] Longwy and Denain factories.

When the CGT decided not to advocate occupation of the two factories, the PC itself proposed to do so. There were lively debates and, finally, the CGT decided to submit this form of action to a workers vote. The two votes took place a few days after the elections of officials, which marked an important CGT success since it was the only union organization to have made any gains. On that issue, the vote for occupation: at Denain only 2,000 of the 6,000 workers went to the polls and 1,500 voted against occupation; at Longwy the proposal was rejected by a similar vote. The workers realized that, if they locked themselves into their factories, they would run the risk of cutting off the popular support they had received. They well understood that this artificial watchword, which came from outside the union, had nothing to do with them.

Carrassus: Moreover, the aspiration toward democracy remains one of the main ideas expressed at the CGT congress. More and more, workers are unwilling to accept the fact that methods of action are worked out without their participation and that they are asked their opinion only to ratify a decision. This situation is getting worse all the time. Thus, all the more reason for workers not to accept watchwords that come from outside the union.

L'UNITE: Precisely regarding political action in the companies, how did you receive Seguy's intervention at the PC National Council on 22 October?

Feuille: It was a typically two-faced kind of intervention. On the one hand, positive, when Seguy with great firmness defended the latest CGT-CFDT [French Democratic Confederation of Labor]. Before that forum, this was no

mean fact in view of what L'HERMANITE has been daily writing about the CFTD. On the other hand — and this is the negative side — we are entitled to a number of self-satisfied statements in the style of: the CGT is the only class struggle organization, the PC the only "authentically" revolutionary party — everything naturally hinging on the "authentically"! It is the same old story: We are the only ones in possession of the truth. And above all, the major concession consists of vehement attacks on the Socialists. Including attacks on active CGT Socialists who have been singled out by Seguy.

CHARRAS: It is a good thing that union members are taking part in political debate. But it is extremely offensive to debate before a political tribunal about the orientation of a union organization, and down to the smallest details. For a party to pass judgment on a labor organization is something else.

L'HERMANITE: As Socialists, how do you today feel about the hopes for an opening raised by the 40th Congress?

CHARRAS: The CGT's search for independence, its determination based on its own continuous strategy. But this is not achieved without embarrassing the PC, which needs to demonstrate that the CGT is in agreement with it on all points. And the more the PC falls back on a sectarian strategy in its political activity, the more it sets itself up as a permanent judge of union organization initiatives, distributing good and bad marks. It is quite simply unacceptable.

CHARRAS: Moreover, this is a historical constant of the PC which we find throughout the course of the past 50 years. During a period of unity and constant organization, the union organization disposes of a fairly sizable margin for maneuvering. In case of an internal crisis in the left — especially if the crisis is accompanied by major gains for the other big left party, the PC [Socialist Party]! — the PC would want there to be a narrower margin for maneuvering. Because, to reconstitute its potential, to reappear as the prime mover in the left union, the PC stands in imperative need of having its initiatives, its positions converge with those of the chief French labor organization.

During the current phase, with the break with the left, PC aims are coming into conflict with the CGT's determination to achieve a certain amount of independence. Its leaders are well aware that, short of wanting to lead the labor organization to suicide, there are a certain number of things that cannot be done.

L'HERMANITE: Hence, I suppose, the agreement with the CFTD?

CHARRAS: I think we can very clearly say that the PC did not want that agreement at any price. It is in fact one of the obvious signs of the kind of contradiction in which two imperative needs confront one another. And the CGT's considerable efforts to reach a unified agreement with the CFTD,

despite the latter's reticence and PC opposition, are revealing indeed. CGT leaders know that the image of a marriage between the CGT and the PC is not necessarily good publicity for the CGT. They know too that many active members, including active Communists, have strong aspirations toward greater independence.

L'UNITÉ: Do you agree with the appeal launched by Georges Seguy at the Press Club, asking Socialists holding responsible positions in the PS and the CGT to bring their party round to contributing to a CGT victory in labor negotiations?

Carrassus: This appeal is unacceptable. It would reintroduce political cleavages into the labor organizations. And this when the PS should, and wants to, do everything it can to develop the broadest kind of unity in their struggles.

L'UNITÉ: Another problem, the reactions to the Boulin affair, is giving rise to debate, also among workers. Do you have an opinion on these reactions?

Carrassus: Of the entire worker movement, PS tradition has always been clear: that the attitudes of politicians who use their office for personal purposes should be made clear. It is perfectly legitimate to demand the truth. And I furthermore maintain that the CGT has done so through the voice of Georges Seguy. Thus on Sunday, 11 November, at the Press Club he said: "Anyone in the public eye must be irreproachable. No one ought to be embarrassed at reporting on the circumstances in terms of which he performs his political functions." True, this has nothing to do with the PC, which says that this search for the truth was responsible for the death of the labor minister. This sort of statement constitutes a total break with the tradition of the worker movement.

Fénelly: I really believe that this position assumed by the PC is a very serious development. It means turning one's back on what has hitherto been the left's constant attitude toward freedom of the press, the necessity of leading the fight for informing French citizens: the whole battle jointly fought by the PC and the PS within the framework of the left union...

A single explanation comes to mind: pressured and forced by the unity movement, since 1965 the Communists have developed a very pluralistic conception of information, very diverse and relatively close to the one held by the PS. We should today ask them the question: Was this not purely and simply for tactical reasons? For today they are redeveloping a conception of information that is not new for them. They already had it 25 years ago, during the cold war, the worst hours French Stalinism ever lived through!

Obviously, it is very hard for the Communists to conceive of a press that does not faithfully reflect their ideas. For them, the truth has only one side, theirs. The conception of the press Georges Marchais, Roland Leroy



and some Anisim have been defending for the past 10 days is the one respected in the communist countries.

Those who spoke of the German anarchist, Cohn-Bendit, in May 1968, whose was called Tillon, Marty or Nizan cops, those who falsely reported on the women's demonstration of 5 October, those who remained silent on the demonstration by Communist intellectuals at the Czechoslovak Embassy, those who have demonstrated their expertise in the domain of calumny, falsification and mud-slinging campaigns should be the last ones to teach others how to behave!

We thought that with the advent of the joint program these outmoded ideas had outlived their time. Well, the backsliding we are witness to shows that we were wrong.

#### PCF's Piterman Counters Attack

Paris L'UNITE in French 17 Nov 79 p 3

[Statement by Communist Charles Piterman made in Ardens in response to attacks by Socialists Pierre Carrassus and Pierre Feuilly]

[Text] Yesterday Charles Piterman spoke at a meeting in Ardens. He felt he had to comment on the violent attacks launched against the PC and its members by the Socialist weekly L'UNITE. He said:

"Indeed, every week, every day brings its series of acts and statements by Socialist leaders which confirm and even accentuate the negative evolution of their party.

"Thus, these past few days Socialist leaders have launched a veritable avalanche of invective against us Communists. For example, in last week's issue of L'UNITE they offensively caricatured our party's policy and our secretary general, Georges Marchais.

"And now this week the PC weekly is continuing its attack.

"In this issue two active Socialists, who also hold responsible positions in the CGT, Pierre Carrassus and Pierre Feuilly, violently attack our party. Furthermore, they also attack the CGT itself. But, as for me, I would simply choose one example to illustrate the nature of their attacks against us.

"In answer to a question concerning the CGT-CFDT agreement, Pierre Feuilly says: 'I believe I can very clearly say that the PC did not want this agreement at any price.'

"In whose name is Pierre Feuilly speaking? In the name of the PS or in the name of the CGT? The question is worth asking since he is presented as belonging to both of these organizations.

/ "As far as I am concerned, in the name of the French PC I challenge Pierre Feuilly to support his statement with the slightest shred of proof. I'm waiting for his reply./ [in italics]

"All who have seen how our party organ, L'HUMANITE, has resolutely supported this agreement and the development of our common struggles, all who can daily attest to how active Communists make their full contribution in the firms they work for with that same objective in mind know what to believe. They know that the Communists are the convinced and determined architects of unity of action among workers and their organizations.

"I want to say that it is precisely this concern for action and unity that has guided us and will continue to do so. We will not follow the PS along the path of insult and falsification. Moreover, we think that this outburst, this loss of self-control which has gripped its leaders is a reflection of their difficulties, since the truth is gradually becoming evident and will tomorrow out.

"Now we are going to continue to make this truth known, patiently, calmly, to remove the obstacles the PS has laid in the path of unity and progress."

#### Feuilly Responds to Piterman

FROM L'HUMANITE in French 22 Nov 79 p 5

[Text] Calling attention to the untrue and insulting nature of the attacks launched against the PC in the weekly L'UNITE by two active Socialists, Charles Piterman challenged Pierre Feuilly to produce the slightest proof of his claim that "the PC did not want the CGT-CFDT agreement at any price."\*

In a letter addressed to L'HUMANITE, Pierre Feuilly offers as "proof" criticisms leveled by the PC at CFDT leaders on different occasions. And that is all.

We therefore note that our accuser could not find a single sentence, a single word expressive of our party's condemnation — not even of its disinterest — of the CGT-CFDT unity of action agreement. And for good reason. Such statements do not exist. Quite the contrary, Communist leaders and our party organ have on many occasions clearly and explicitly supported this agreement. The accusation is therefore quite untrue. But the intent is quite real.

Since what is at issue is in fact the criticisms Pierre Feuilly describes as attacks, we were not aware that the CGT-CFDT agreement implied for the signatories, and even more to the point, for the other worker and democratic organizations the abandonment of all criticism. Obviously, this agreement did not provide for such an outrageous stipulation. In a statement

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\*See L'HUMANITE, 17 November 1979.



we published on 30 October, various CGT leaders and the Confederation Bureau itself did not refrain from leveling criticisms at their partner. They evidently felt it was appropriate to do so, not to endanger the agreement, but, on the contrary, to achieve better application of the same.

Does Pierre Feuilly have the opposite opinion? Actually, he is visibly less concerned with the development of unity of action among workers than the development of anti-Communist attacks. Which explains why, by a natural reflex, he so ardently defends Edmond Maire. An odd situation for a man who holds office in the CGT.

His "response" has probably at least had the merit of exploiting it.

#### CGT Response

Paris L'HUMANITE in French 22 Nov 79 p 5

[Text] In a statement published yesterday the CGT Departmental Union Bureau of Paris disapproved the contents of an interview granted L'UNITE, entitled "The CGT Between the Devil and the Deep Blue Sea," by Pierre Feuilly and Pierre Carrassus, described by L'UNITE as "active Socialists who also hold responsible union positions in the CGT."

In the CGT, all active members have the right to express themselves on all problems, whether or not they are politically committed. There can be no question of contesting anyone's exercise of this right. But this does not authorize members to weave plots about the CGT.

If we are to believe this interview, the CGT would be constantly subject to pressures by the French PC.

How can we not be surprised at such statements, coming as they do from Pierre Feuilly and Pierre Carrassus, both members of the CGT's CE [expansion unknown] (Carrassus is a member of the UD [Democratic Union] Secretariat) and therefore hardly ignorant of the democratic and independent nature of the confederation?

Unlike the experience of the UD Bureau itself, the comrades are promoting an idea which conflicts with the CGT, its leaders, its members: "The CGT is not independent."

According to Feuilly and Carrassus, if there is in the CGT a determination to have a "certain" independence as far as the PC is concerned, it is because "its leaders are well aware that, short of wanting to lead the labor organization to suicide, there are a certain number of things that cannot be done."

Such distrust of confederation leadership can only with difficulty be resolved by the entire CGT.

All this is not based on any reliable facts.

Also, it is wrong to pretend that the French PC has exerted pressures against the CGT-CFDT agreement. This has been viewed all the more askance in L'UNITE, since this publication contributed to the attacks on the CGT Bureau the day after the signing of the agreement.

This development is all the more worrisome because it comes at a time when an external campaign is building up to attempt to isolate the CGT, which is doing its best to apply [the resolutions of] its 40th Congress and defend the interests of the working class without making any concessions.

At the same time, all the news media are conspiring to raise doubts over CGT independence, from the NOUVEL OBSERVATEUR to the AURORE and from L'EXPRESSION to LE MATIN. The CFDT has joined the chorus and gone so far as to devote a National Council to the issue.

The UD Bureau recalls the 40th Congress' warning about the anti-Communist the CGT is fighting because "it is a way of dividing us and its real goal is to attack all those who occupy positions on the class struggle."\* It is unfortunate that, consciously or not, partisan reasons cause CGT members to bring harm to our organization just a few weeks away from a decisive election, the Labor Board elections.

In the spirit of the 40th Congress itself, it is essential that all members be able to express themselves on everything that concerns the CGT, regardless of their preferences, be they Socialists, Communists, believers or not. This requires that the CGT not be an arena for political confrontations.

It is for these reasons that the UD Bureau voices its unanimous disapproval [of the L'UNITE interview report].

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\*40th Congress orientation paper.

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## AEROSPATIALE MANAGING DIRECTOR QUERIED ON PRODUCTION

Paris AVIATION MAGAZINE INTERNATIONAL in French 15-30 Nov 79 p 15

[Interview with Roger Chevalier, managing director of AEROSPATIALE; name of interviewer, place and date not given]

[Text] [Question] From the standpoint of the Airbus program, do you feel that available funding is sufficient to avoid falling down on your planned production rates?

[Answer] At this point, we feel we have done our utmost, financially speaking, to not slow down the Airbus program's marketing success. It is regrettable, however, that in 1977 we were compelled to reduce our production rate from 2 planes per month, with which we started that year, to 1 per month when we ran into difficulties in selling this plane. But we were not alone in the matter. And although AEROSPATIALE [National Industrial Aerospace Company] itself would have preferred to not reduce below a rate of 1.5 planes per month, we found it necessary to align our general position with that of our partners in Airbus Industrie.

That said, as soon as the marketing success of the plane became clear, we did all we could to increase our production rate as much as possible, taking into account this plane's production cycles, which are of the order of 23 months for fabrication alone and around 40 months for the full cycle from date of order to date of delivery. But we cannot sail faster than the wind. We had no choice but to closely coordinate our production with the full cycle.

Let me remind you, however, that we will finish 1979 at the level of 3 planes per month and that we expect to reach the level of 6 per month by the beginning of 1983, and eventually 8-10 per month, depending on future sales, beginning in 1984-1985.

[Question] Do the production rates determine the funding, or does funding determine the production rate?

[Answer] In this business, the market must always lead. In reality, from the funding standpoint, there are two phases to a program. There is first what I would call the development phase, in which the start of development has to depend on what are called "lancing airlines." In other words, production should start only after having received a significant number of orders from the airlines (50-100 planes). In the case of Airbus's B-10, Lufthansa and Swissair were the "lancing airlines."

Following the development phase, production rates should be planned according to sales forecasts, and funding should be determined by the orders placed on our marketing people, that is, by the market.

[Question] Recently, Mr Giraudet has said it is time now to be thinking of the Jet. How will the Airbus family offspring and new programs paralleling those now in progress be funded?

[Answer] It is still the intention of the Airbus Industrie partners to develop, concurrently with ongoing programs, new versions of existing designs as well as new designs that can expand its family of product lines. Obviously the Jet (a two-engined airliner with a seating capacity of about 150-160 passengers) is one of these possibilities. There are other possibilities as well, as you know, such as the one known as the B-9 (an elongated version of the Airbus), and the B-11, a four-engined airliner built around the Airbus fuselage and designed for the long-haul aircraft market. Evidently, a choice must be made among these possibilities. And certainly it is the market that will determine the final priorities. In any case, however, the problem of funding will arise.

For Boeing, for example, which has now reached cruising speed, so to speak, considering its position in the market, this would probably not present as formidable a problem. But for Airbus Industrie, which is trying to establish a marketing foothold for European manufacturers, this type of initiative clearly demands a very substantial financial effort--an effort that would doubtless be less formidable for one who already has a place in the sun. Airbus, however, is not yet in a position to finance new programs through the profits from past programs...

[Question] There is talk currently of possible cooperation between European and Japanese industries for the development of a "Jet." How could production of this plane be undertaken, considering the current workloads of AEROSPATIALE especially and of the Japanese manufacturers as well, and considering that the design facilities of the parties to this potential arrangement are already saturated?

[Answer] As far as saturation is concerned, this is actually true of production as well as design facilities. And I can simply say that, in view of the start-up of the B-10 version and of the improvement problems we still have on the B-2 and the B-4, our design facilities in Toulouse as well as those of our partners are indeed heavily loaded. But this will

not last forever. To keep these design facilities reasonably-loaded we will need to launch a new program 1 or 2 years from now. And of the possibilities available for consideration, I believe, as I have already pointed out, that the 160-passenger two-engined airliner is currently the most interesting--subject, of course, to confirmation by the market.

And as regards cooperation with the Japanese, I would say that if it can be justified not only by financial but also by market-lancing considerations, why not? True, the latter are already committed to Boeing but on programs of an entirely different kind.

[Question] In view of the economic problems that could conceivably arise for any of the principal participants in the Airbus program, how can a coherent funding policy be maintained?

[Answer] It stands to reason that if because of economic difficulties one of the partners were to default on a commitment taken at the start of the program, that partner would incur a serious liability. In case of default by one of the partners, the remaining partners would of course have to shoulder the burden thus created--with all the problems this would entail for them as regards, on the one hand, the strain on their financial capabilities, and on the other, the delays this would inevitably produce in delivery schedules.

One cannot say, of course, that the economic problems are identical for all the countries involved in the Airbus program. But insofar as concerns the programs we have already launched (B-2, B-4 and B-10), there is no indication of any major difficulty.

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## PCF CRITICIZES TELEVISION DOCUMENTARY ON STALIN, TROTSKY

Paris L'HUMANITE in French 4 Dec 79 p 2

[Article by J.-P. Scott: "History Does Not Support the Caricature"]

[Text] Tonight French Television 1 offers a documentary on the subject of Stalin and Trotsky. Produced by Max Gerard, with a script by Arthur Conte, its title is "The Prophet and the Tsar." The sole purpose of this opportune opposition: the struggle against socialism.

History does not support the oversimplification. To turn the confrontation between Trotsky and Stalin, which stirred the Soviet Union's Communist Party from 1923 to 1929, into a dubious struggle, into a rigged match, is to deform history. Where are the social forces which shape history? What about post-revolutionary Russia? We will not learn anything about them. It is through the small, distorting end of the opera glass that Arthur Conte presents the most dramatic debate in the history of socialism. The debate occurred while the first victorious proletariat revolution was establishing the bases of a new social regime in a country exhausted by 7 years of imperialist warfare and civil war, and which had to pull itself out of underdevelopment.

History does not bear out the caricature. That is precisely what results if you explain this confrontation in terms of personality conflicts, differences in temperament, cultures, even zodiac signs!

We have nothing against psychological drama. But biography is a particularly difficult genre. In history there are no minor genres and major genres, there are only historians who are more or less responsible.

#### Let Us Be Responsible

The stereotyped Trotsky is indeed a caricature of the revolutionary par excellence, just as the middle class loves to see him in order to give itself a thrill: intellectual, Jewish, romantic, internationalist, but unrealistic.

Another caricature is the prototype of the Georgian tyrant, a sort of political ignoramus, a sinister policeman, an oriental satrap with a boundless desire for power. These are the traits of Stalin, the effective dictator, as he is presented to us.

We can only accept as authentic certain character traits, although they are isolated, deformed and made into fundamental causes.

A few weeks after his exile, Trotsky himself wrote that "a theory which holds that the intrigues of his adversary caused his defeat is blind and pathetic." He explained his failure in his own manner, but the "considerable shifts occurring among the classes" in Soviet Russia and in the relationship of international forces, attributing only a "secondary role" to Stalin's intrigues.

Of course, Trotsky sometimes posed as a prophet, for example, when he asserted "the correctness of his predictions" of 1904 about the development of the party. At that time, Trotsky, in opposition to Lenin, predicted that the Bolsheviks would take the place of the working class and therefore a dictator would take the place of the party.

However, it would be illogical and uninteresting to show all that Trotsky was able to foresee or analyze. In 1904 he underestimated the necessity, at that time, for a revolutionary party, and became the champion of unity at all costs between revolutionaries and reformists. In 1907 he recognized his own errors. Also, it is time to discern the real Trotsky, with all his contradictions, his good qualities and his limitations.

He cannot appear as the idolized champion of democracy. His plans to militarize work and to reduce labor union rights contributed, in part, to his isolation. We must not use these positions to make of him, as Stalin did, a representative of bourgeois liberalism, even in 1930, "the avant-garde of the counterrevolutionary bourgeoisie".

We should not see Stalin as a "new tsar," even though his personal dictatorship did depend on certain methods and certain agents of the tsarist state apparatus. The state is not an instrument above society, unchanged by revolutions, as those who deny the events of 1789 and October 1917 would like to believe. The state is a contradictory and, of course, relatively autonomous expression of social relations which were fundamentally changed. This happened in spite of the weakness of the proletariat up against an immense peasantry and of the distortions of the Soviet state during the civil war.

In other respects, one cannot see Stalinism as an historical accident, a political mishap caused by Stalin's personality. Stalin soon manifested his violent attitude concerning the other members of the Central Committee.

This had no effect on the party's strategy, which was elaborated by collective debate. After Lenin's death, the rational "democratic dictatorship" he defined was transformed into an irrational and anti-democratic dictatorship in the face of difficulties concerning the course and implementation of the transition to socialism of a single country.

#### The Sole Purpose

It is not enough to condemn the faults and crimes of Stalin. One cannot hold one man responsible and ignore the social and political circumstances which affirmed Stalin's power.

Whatever the changes were, in the state and party bureaucracy that were denounced by the leading Bolsheviks in 1920, Stalin had to transform the party into an active institution by reducing the administrative and policy-making functions that it still had.

One cannot give in to the idea advanced by Conte that Stalin's rise to power was ineluctable, irresistible, as if democratic centralism was ineluctably condemned to degenerate into bureaucratic centralism.

On the Stalin Trotsky issue, the right utilizes two versions for a sole purpose: the struggle against socialism. Either it is attempting to retrieve the myth of Trotsky by stressing his helplessness or it gives the day to none of them and hold Trotsky, Lenin and Stalin all responsible for the goulag.

For us, the dilemma is not been powerlessness and the goulag. There are popularizations and then there are popularizations. The respect given to history reveals the respect one has for the public.

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CSO: 3100

## PAPER COMMENTS ON ECONOMIC RETRENCHMENT PLANS FOR 1980

Reykjavik MORGUNBLADID in Icelandic 3 Nov 79 p 24

[Unsigned Editorial: "Curtailed State Expenditures"]

[Text] In the Economic Plan for 1980 provision is made for only a one percent increase in the Icelandic export achievement. It is stated there also that the terms of trade, in connection with this, will worsen from 15-16 percent this year and continue to worsen in the next year, at least by 3 to 4 percent more, but unforeseen developments in the oil markets could distort this picture still more. It is very clear from these economic predictions, presented by the former prime minister, that economic growth and the increase of national income will be nearly nil next year. Breathing space for general wage improvements will, all things being equal, be truly narrow.

Such a situation in the export achievement, the terms of trade, and national income demands, unavoidably, a policy of restraint and economy in state expenditures. In view of the prevailing economic climate a curtailment of state expenditures is a precondition for the hoped-for success of the necessary and interacting inflation restraints which everyone agrees must be applied. But we must still state, that the larger share which the fisque will take of the national income each time will reduce, in the future, disposable public income and the operating capital of business. It is natural, in the economic climate that now obtains, that the government defend the wage situation of the lowest paid among the people with decreased tax collections, for the time being, with the necessary cooperation of the parties of the labor market and of the people as a whole--to reduce inflation and create a balance in the Icelandic economy.

The Independence Party, an Icelandic political party, has taken into consideration these facts of the Icelandic national household at the present time in its aims for the next 6 months. It is therefore declared that it is necessary to reduce state expenditures, and eliminate the new taxes and tax increases of the former leftwing government.

To be sure, it will not be easy to cut down state expenditures. Many will come out against such a retrenchment and call it unjust and wrong. But they must realize, on the other hand, all the same, that it is not possible to expect that the Icelandic public will take upon itself the burden of reducing inflation if politicians lack the courage to shoulder their own burdens. In spite of the great inconvenience that accompanies retrenchment, it is clear that the difficulties will be even more if it does not take place. We have no easy way to escape from inflation. Those politicians who would continue with it are, so to say, at odds with the people. The time has come for the empty twaddling of that kind of cease.

Such are the facts in the area of the export achievement, the terms of trade, the national income, and inflation, which make economizing in the Icelandic state system necessary and unavoidable. The share of individual undertaking and service components in this economizing must be decided according to particular circumstances in the Icelandic national household. But the final aim must be the goal of, on the whole, slightly curtailed state expenditures, and a reduction of public debt and taxes. And this retrenchment should be part of coordinated, total measures to reduce inflation and create a balance in the Icelandic economy.

Such a balance is a precondition for increased activity in trade, growth of value in the national household, and growth of distributable national income. The ultimate purpose of this two-fold economic goal is to insure the job security of a growing population in the future and living conditions comparable with the best in other parts of the world. The path to better living conditions is through a strong economy, wise use of Icelandic riches and a larger total, distributable share.

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## STATISTICS OFFICE ANNOUNCES INFLATION RATE AT 81 PERCENT

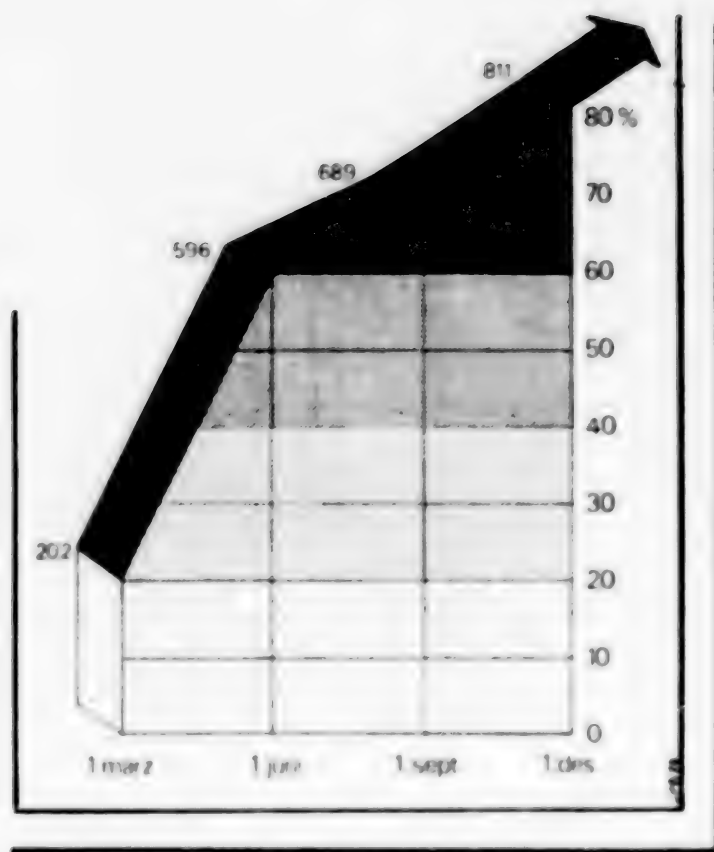
Reykjavik MORGUNBLADID in Icelandic 14 Nov 79 p 32, 15 Nov 79 p 3

[Unattributed Article: "Cost of Living Index Figures Increase by 16 percent: Inflation Over 81 Percent"]

[Text] The Icelandic Statistics Office has calculated the increase in the cost of living index figures for the last 3 months and it turns out that they increased by almost 16 percent. If that is calculated on a 12 month basis, inflation is now 81.1 percent. On the other hand, the treasury has not attended to 28 requests for increases and public requests for increases have have been carried over to a considerable extent. It may thus be expected that the cost of living index figures have increased by 17 percent, which amounts to 87.4 percent inflation over a 12 month period.

On 1 June the cost of living index figures increased by 12.4 percent, on 1 September by 14 percent and now, on 1 December, by 16 percent. The average increase for each of the 3 months of the time period during these 9 months is thus 14.1 percent. That, calculated for a year, shows an inflation rate of 69.5 percent. If, on the other hand, inflation is calculated in terms of such an average figure and a 17 percent increase for 1 December is taken into consideration, the increase that would have taken place if public increase requests had received a normal carry-over by the government, inflation for the 12 month period would accordingly be 71.9 percent.

The first 10 months of this year inflation was 51.4 percent. The reasons for this low figure are that the cost of living index figures increased only by 4.7 percent in March of this year since the government greatly increased state assistance November of the previous year. Judging from the furious pace of inflation at present, it is foreseen that from January to January, or to the end of the year, it will be 61.7 percent. Although we are dealing here with high inflation figures, this is, by no means, the record inflation rate. The record, which still stands, are the inflation figures during the calculation period 1 March 1974 and 1 June of that year. Then inflation increased by 19.7 percent, or by 105.3 percent on a 12 month basis. Noteworthy that both these periods were the final hours of left-wing administrations, both under the ministership of Olafur Johannesson.



Inflation For a 12 Month Period Calculated for the Four Last Three-month Periods. Cost of Living Index Figures.

The graph shows the inflation rate for a 12 month period calculated for the four last three month periods. The graph shows a violent increase in the inflation rate during the administration of the present left-wing government. The rate of inflation has now become so great that it amounts to 81.1 percent inflation in a year.

On 1 March the rate of inflation was only 20.2 percent a year. The reason for this is the considerable state assistance which the left-wing government took in hand when it decided, in December, 1978, to decrease goods' costs, consider so-called membership contributions as wages, and lower taxes. When all that had had its effect, it amounted to 8 index points and the increase in the cost of living figures was no higher than is indicated in the graph.

11433

CSO: 3111

## CONSERVATIVE PAPER COMMENTS ON NEW INFLATION FIGURES

Reykjavik MORGUNBLADID in Icelandic 15 Nov 79 p 24

[Unsigned Editorial: "80 Percent Inflation"]

[Text] Inflation is now about 80 percent, this became clear yesterday when it was made known that the cost of living index figures will increase by 16 percent on 1 December. In actual fact, the inflation rate is still greater. The minority People's Party government has denied 28 requests for price increases. This denial is, in fact, absurd. It will have the effect that the difficulty will be still more severe in a few months. If these increases had been approved of in the normal way, that is, with a small reduction, the cost of living index figures would have increased by 17 percent and inflation would actually approach 90 percent.

This is the end of the latest left-wing government of Olafur Johannesson. This man has a great debt to pay his people in that he bears the responsibility, more than any other, that we have blundered into this wild inflation. Olafur Johannesson departs the scene with the nation in ruins just as he did in the spring of 1974, when the rate of inflation was over 100 percent.

11433

CSO: 3111

## OFFICIALS SIGN CONTROVERSIAL SOVIET OIL PACT

Reykjavik MORGUNBLADID in Icelandic 16 Nov 79 p 12

[Unattributed Article: "Oil Pact Signed with the Soviet Union: The Rotterdam Price will be in Force but it will be Possible to Decrease the Quantity; Offer of 100-150,000 Tons of Gasoline on More Economic Terms From Other Countries"]

[Text] Signed yesterday in government house were agreements between the Soviet Union and Iceland on the oil purchase of Iceland from the Soviet Union. And, as is known, discussions on an agreement for the purchase of oil and gasoline next year broke off last 28 September without any agreements being reached. "The Russians have thus offered an essentially unchanged agreement in its main points with price setting according to the standard of the published daily rate for petroleum products at the Rotterdam market and this standard has turned out to be very high in 1979," said, among other things, a news release of the Trade Ministry on the agreements. The time limit for concluding the agreements ran out yesterday and they were signed by the plenipotentiary of the Trade Office of the Soviet Union in Iceland, Boris Gorskov, and by Thorhall Asgeirsson, a ministry chief of the Ministry of Trade.

In the press release of the ministry there was discussion, among other things, of that agreement and, likewise, of thoughts on the part of the government on oil purchases from parties other than the Soviet Union.

"In spite of reiterated attempts on Iceland's behalf and discussions of the minister of trade with the Soviet Ambassador in Iceland, we have not been successful in securing changes in the price conditions of the oil pact. On the other hand, the Russians have agreed to include a provision in the agreement of the effect that Iceland can, with normal notice, reduce its purchase of gasoline and benzine from the Soviet Union whenever it wishes in 1980. An agreement with this change was signed this afternoon."

"The Oil Trade Committee has, at the request of the minister of trade, acquired offers for oil trade next year. An offer has been advanced of 100-150,000 tons of gasoline (diesel and heating oil) for the year 1980 on more economic price conditions than the Russians offer. Also offered is 50,000 tons of

benzine at a cost which will not be worse than that agreed to in the pact with the Russians. The minister of trade has now asked the Oil Trade Committee to go about establishing a continuing agreement with those parties. We are talking about oil companies in England, Finland, and Norway. Most important is the offer from British parties."

"Thought is being given to the possibility that Iceland would buy crude oil directly from the oil-producing countries within OPEC for sale in neighboring countries, and this could be possible next year or the year after."

"By such measures three things have been achieved:

1. Icelandic commerce and homes have been assured a reliable supply of oil next year.
2. An offer, with more economic price conditions than can be gained elsewhere, has been advanced for half of next year's gasoline import.
3. New possibilities have been opened for oil trade in the future."

"The government is now studying membership provisions of the International Energy Association, which works in connection with the Organization for Economic Common Development in Paris, with the intention that Iceland will become a partner in the oil cooperation of the Western nations."

The Trade Plenipotentiary of the Soviet Union, Vladimir K. Vasov, said, after the agreement had been signed, that the entire period of the 26 years in which oil trade has gone on between Iceland and Soyuznefte export has been most pleasurable and that his company has always kept to its agreements." Everyone knows that all energy costs have increased greatly on the world market recently which has brought difficulties in its train everywhere. The Rotterdam standard has been accepted more than any other standard in the European market. In accordance with the requests of purchasers, Soyuznefte export has granted remissions concerning terms and delivery prices of petroleum products. The new agreement has the advantage over previous agreements that it encompasses more flexibility for the buyer in the matter of quantity. The buyer has the right to reduce his purchase of any kind of refined oil if he gives 45 days notice to the seller."

It is necessary to lay emphasis on the fact that it has not been so easy for Soyuznefteexport to accept the above mentioned requests of Iceland for changes, but it has been done since we understand your needs and interests. Soyuznefteexport has also seen the possibility of going along with that request of the Icelandic representation for the delivery of 20,000 tons of benzine this year, in addition to the previous agreement, and likewise of accepting a request for an increased quantity next year, if it is requested," said Vlasov, among other things.

"I think that the main thing is that we have now opened new possibilities for oil trade and the agreement with the Russians was not signed before a proposal



for half the gasoline we require had been advanced from other parties and we did not accept the agreement before the Oil Trade Committee had received those offers as firm," said Kjartan Johannsson, minister of trade, when MORGUNBLADID asked his opinion on the oil pact.

"We have, in repeated discussions with the Soviet ambassador, striven to secure changes and one change is that we can reduce the quantity with 45 days notice and we have, at the same time, fully assured ourselves of offers of oil from other places and there will be, just after the middle of next year, a more economic oil purchase than is the case now. The Oil Trade Committee is now requested to carry out negotiations on agreements with other parties which have offered us oil."

11433

CSO: 3111

## BRIEFS

TWIN OTTERS FOR AIRLINE--Arnarflug has purchased aircraft of the model 'twin otter' for use in the domestic service of that carrier. They will be overhauled before delivery and are expected to arrive in Iceland at the beginning of next month. Since Arnarflug commenced domestic service last September the carrier has required smaller, charter aircraft and it is stated in an Arnarflug press release that they had nothing else whatever for the traffic, which has been increasing constantly, and study has been carried out on what kind of aircraft the carrier could buy that would be suited for domestic service. In addition to the aircraft purchased, Arnarflug has been leasing twin otter aircraft from Flugfelag Nordurlands and two such aircraft will be available in December. [Text] [Reykjavik MORGUNBLADID in Icelandic 14 Nov 79 p 14] 11433

CSO: 3111

## PCI SEGRE'S COMMENTS ON EEC DUBLIN MEETING

Rome RINASCITA in Italian 7 Dec 79 p 5

[Article by Sergio Segre]

[Text] The EEC is sailing in a boat (moreover, a boat which is taking on water everywhere) on a stormy sea. Perhaps never before has the crisis been so thorough and complex and so gray the horizon. Not even in the time of General De Gaulle, when French policy blocked the construction of the EEC for a long time, since, during that epoch at any rate, the economic and conjunctural figures were otherwise favorable. Now instead, we are seeing, probably for the first time, a complex interweaving of crisis factors which are invading the EEC as a whole and paralyzing it, laying bare its weaknesses, contradictions and egoisms. And, what is still more serious, bringing to light its macroscopic lack of political will and its total absence of ideas. In short, the impression the EEC gives of itself is that of a body which, at the moment of assault by a disease, proves to be completely deprived of antibodies. This is the picture after the Dublin meeting. The spectacle of impotence given in the Irish capital by the heads of state and government was impressive.

The only thing of which they were capable to avoid a clamorous break in the face of the attack by the British prime minister was to postpone everything and decide nothing. "There was nothing else to do," the Honorable Cossiga commented upon returning to Rome, "unless it would be to suggest 'a moment of cooling off and meditation,' for it was a matter of facing up to the 'danger of a difficult Common Market crisis not yet warded off,' to the 'risk of total paralysis,' to the 'threat of an overall crisis in the EEC.'" But at what political price was this 'moment of cooling off and meditation' assured? At the price of an almost total decision not to confront the main subjects of the economic and social situation, energy and the need to take up new orientations and directions. If the EEC wants to be a vital political organization, it cannot wash its hands of these problems and not lose its credibility," the Honorable Cossiga further stated. But the impression given was precisely that of disinterest, all the more serious in view of the substantial deterioration in the economic situation and the social consequences thereby produced.

After Dublin its credibility is less, not more. Less with regard to the peoples of the nine countries, obviously led to make a comparison between current reality and the abundance of rhetoric disseminated during a non-crisis period at the time of the campaign for European elections last June. And less with regard to the rest of the world, for in Dublin the EEC was incapable of having its voice heard at a time when so many problems and contradictions are converging on the world scene. Whereas the distance between developed countries and developing countries is becoming greater, and the problem of hunger in the world is becoming more sorrowful, and a new qualitative step is being taken in the armament race, and the process of detente is in difficulty even in our continent, the EEC had nothing to say in Dublin and was not able to say anything. It is sad, it is painful, but that is the way it is. Never before has King Europe been so bare.

However, there is also another side of the coin, which is not one of impotence but of arrogance. It is that which concerns the behavior of the Council of Ministers in the confrontations of the European Parliament. Here also important expirations are coming due. Next week (from 10 to 14 December) the European Parliament is to return to vote on the proposed EEC budget. In the previous session it had made some changes introducing the premises of at least one policy aimed at the exclusive maintenance of prices for milk and cheese products (mountains of milk and butter) and capable of partially reopening the discussion on organization. However, all the changes were rejected by the government representatives with a violence whose intelligence is not apparent given the characteristic of challenge which has come to be assumed in the confrontations of a parliament which is trying, at least in the margins of the Rome Treaty, to define its own personality and function.

What will now be the attitude of the European Parliament? Will it have the courage and political strength to meet the challenge and reject the budget for the first time in the EEC's history, or will there, instead, be a majority who will nod their heads assuming the masochistic responsibility of nullifying with an acquiescent vote all the speeches made in the last few months on the function and potential task of this parliament elected by universal suffrage? Various parliamentary committees (among which are the budget committee and the committee for regional policy) have asked that the budget be rejected. Even though it may be difficult to get a two-thirds majority for this purpose, the battle is in many aspects out in the open, for most of the political groups give evidence of understanding the political import of this vote. Particular responsibility will fall back on the Italian representatives, since the changes initially introduced by parliament (and rejected by the governments with a different position being taken only by Italy and partially by the Netherlands) were all headed in the direction indicated several times by our country's political forces. That is why it is extremely clear, as the *POLLO* has recognized, that if the budget is accepted as is the parliament will see "the loss of all its credibility." This particular responsibility stems also from the fact that beginning

1 January Italy will assume in such a delicate situation the 6-months presidency of the council, and it is unthinkable that in such objectively difficult conditions Italy can hold that function for 6 months without having a clearcut and strong political will supporting it. But what, in truth, is the current situation?

A weak government, such as that of Cossiga, deprived of an operating majority and moreover divided internally even on essential points of EEC policy, is obviously assuming the 6-months presidency under the worst conditions. An effort was made, even in anticipation of Dublin, to present to the commission and Council of Ministers a valid and clearcut position on the problem of the "convergence of economies," that is, of a reduction in the regional and structural inequalities within the EEC. "In 22 years from the signing of the treaty," the Italian contingent maintained, "this objective has not been pursued, nor has any significant progress been achieved in this direction up to now. On the contrary, an analysis of the statistics shows that inequality is tending to increase and that economic activity tends to be concentrated in EEC areas which are already the most highly developed." To effect a turnabout in this tendency, the Italian memorandum indicated a whole series of measures. However, none of these was taken into consideration in Dublin, and the problems will inevitably become worse during the coming months.

However, already prior to Dublin at the Brussels meetings where the governments decided to reject the innovations introduced by the European Parliament, the Italian Government found itself isolated to the extent that it wrote to the Christian Democratic organization that "it is never wise to count too much in the EEC organization on London's alliance, even though there are some who look to London with confidence," To whom was this polemic point directed? Aside from this episode, not irrelevant, even though Undersecretary Ferrari who was heading the Italian delegation (why an undersecretary and not a minister?) declared that "the decisions of the council are serious because they signify not wanting to carry out parliament's suggestions for a more effective organizational and investment policy"; and independently from the manner in which the controversial meeting in Strasbourg will be carried out next week, what is now imposed--in anticipation of the 6 months of Italian presidency--is a pointed discussion among the political forces and in parliament on the lines and criteria to be followed.

The opportunity of the Italian presidency is too important and too profound for others with regard to the EEC crisis not to think about it and give it all the urgency necessary. We cannot enter this 6-months period, especially after Dublin, without having the government clearly announce its intentions and without verifying at their true worth the convergences and divergences existing among the various political forces.

8568

CSO: 3104



## ARTICLE ANALYZES POSSIBLE CAUSES OF RUNAWAY INFLATION

Rome RINASCITA in Italian 7 Dec 79 p 7

[Article by Giorgio Rodano: "It Is Now Certain, Inflation Is 20 Percent"]

[Text] We have returned to the dangerous levels reached in 1976. The only difference is that we are now in a period of market stability. Various explanations for the upsurge in prices and living costs. The role played by the expectations of entrepreneurs with regard to international and domestic factors.

The results of inflation on the entire economic system, on its relations with foreign countries, on savings, on income distribution and the like are too important and too well-known for anyone not to agree that it must be combated. However, it is a fact that ideas differ greatly on the therapy to be followed. And this is because there is often not even agreement on the causes of the increase in prices and because the alternative suggestions for combating inflation are often connected with strategic designs on the Italian economy, on its perspectives and on its future which are profoundly different among themselves. The objective of this brief analysis is not to offer suggestions but, rather, a more modest one, to examine the situation which has been brought about and to discuss briefly some possible explanations.

The latest figure on the trend in wholesale prices is that of October. In that month the increase in the price index was 2.1 percent over the level of a year ago. This appreciable variation in the index follows upon the heels of the equally conspicuous variations registered in August and September (when prices had increased respectively by 2.2 and 1.9 percent). It must be added at once that intensification of this phenomenon is certainly nothing new in the last few months. We need only to compare the monthly variations in this year's index with those of 1978 to verify easily that since January the rate of inflation has shown a definitely more dynamic trend than before. Considering how things have gone up to now, it is easy to foresee that by the middle of the year wholesale prices should increase by 15 to 16 percent. The annual rate of inflation should come out still higher if measured by the

percentage variation in the index of the 12 preceding months. Last December the index had been 9.3 percent. After that it continued to increase until, in October, it reached the figure previously mentioned (19.6 percent); for December it should be nearly 20 percent.

In other words, as in all periods of accelerated inflation, again this year the percentage of variation measured by comparing December with December is much higher than that obtained from a comparison between yearly averages, and that is precisely the result of the statistical effect the trend of the index of the previous year exercises on the current year. For the same reason, if, as many maintain (or hope), inflation should slow down in 1980, we would be faced with the opposite phenomenon; that is, the rate of inflation measured December against December would be less than that measured on the basis of yearly averages. A forecast of this type is indeed contained in the "Forecast and Programmatic Report" according to which the rate of inflation in 1980 is expected to be about 15 percent in a comparison made using yearly averages and 12 percent using the December against December method of comparison.

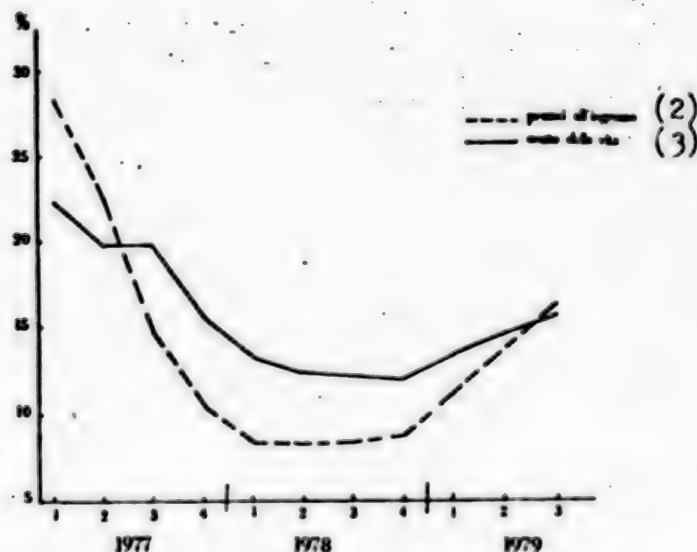
Proceeding to an examination of the status of the cost of living, the available data continue to be of little comfort. The ISTAT [Central Statistics Institute] index of consumer prices for families of workers and clerical employees increased 2.3 percent in October, a variation which confirms the record (2.5 percent) chalked up in September. The rate of inflation for the 12 previous months, which was 11.9 percent last December, reached 18.2 percent in October; and this, too, should run around 20 percent in December.

For the same reasons we encountered in analyzing the wholesale price situation, the increase in the rate of inflation measured by comparing yearly averages should be less pronounced (between 15.5 and 16 percent). Similar results are obtained from the index on which the calculation of fringe benefits is based, exceeding a factor of 200 in October (which means that in 5 years the cost of living will have doubled); in like manner, similar results are obtained from an estimate of inflation through figures put out by national accounting organizations: for 1979 the "Forecast and Programmatic Report" estimates that prices implicit in the Gross Domestic Product [GDP] will increase by 14.5 percent.

After the relative slowdown in the 2-year period 1977-1978, inflation is then returning to the yearly level of 20 percent which had characterized the 1976 crisis. However, there is an important difference in that regard: between 1973 and 1978 appreciable influence is exerted on inflation by the rate of exchange; currently, instead, the exchanges are substantially stationary due to Italy's membership in the EMS [European Monetary System]. This means either that the other causes which contribute to inflation are still more intense than during those years or that an important mechanism is lacking to recover, if only temporarily and at increasing costs, the competitiveness eroded through increased prices.

However, it should immediately be added that the acceleration in the rate of inflation is not just an Italian phenomenon but is somewhat common to all countries.

Tre anni di inflazione (1)



(4) andamento del tasso di variazione costo del costo della vita e dei prezzi all'ingrosso (variazione % dell'indice di ogni trimestre sul corrispondente dato dell'anno precedente)

(5) Fonte: ISTAT

#### Key:

1. Three years of inflation
2. Wholesale prices
3. Cost of living
4. Trend of the rate of variation in the cost of living and wholesale prices (percentage of variation of the index for every quarter with the corresponding figure for the previous year)
5. Source: ISTAT

Let us recall a few figures. In September, consumer prices in the EEC increased at an average of 11 percent over the level of September 1978. In the United States the rate of inflation is still higher. Estimates made for the current year by major forecast institutes fluctuate for the United States around 11 percent (annual average versus annual average of the GDP and deflationary), for France about 10 percent, for the United

Kingdom about 13 percent and for the FRG a fraction over 4 percent. With regard to 1980, the same estimates anticipate a slight slowdown in inflation in the United States and a similar situation with the current dynamics of inflation in the other countries in question.

As is seen, we are dealing with rather impressive figures in absolute value, even though they are clearly lower than those of Italy. For the moment, the inflation differential between our country and the others has remained more or less what it was at the beginning of the year; it did not decrease, as had been forecast by the government and which had given rise to the proposal for immediate membership in the EMS, but neither did it increase. However, it must be added that it is in danger of increasing rapidly, especially if the recent trend is confirmed in the next few months.

In this respect, much depends on the reasons for increased inflation in 1979; but it is not easy to arrive at a precise explanation. The causes depend on a complicated interaction of phenomena which are far from being clarified in a satisfactory manner. Traditional explanations serve only partially. Considering them exhaustive can lead to errors or, worse, to measures which may turn out to be counterproductive.

For example, it has been maintained that the current acceleration in prices belongs to the category of inflation "of demand," that its responsibility would be attributed to an uncontrolled expansion in public spending and in the deficit. However, the fact remains that we shall not then be paying, as was stressed even by certain supporters of this interpretation, the penalty of the coup perpetrated in 1978. In fact, this year the state's receipts are increasing (partly due to inflation and its drag on taxes) more than anticipated, while payments are proceeding at a much lower rate than that expected. Nor is it a matter of just those payments, which are expressed in less actual demand, since all categories of expenditure incorporated in the state budget are delayed.

The nature "of the demand" of current inflation has been deduced also on the basis of another type of reasoning, which appears to be somewhat of interest. This can be summarized as follows. Beginning with the oil crisis of 1974-1975 (and in Italy even before, dating from the recession of 1971-1972), the rate of accumulation dropped drastically due to a modest growth (even in recovery periods) of fixed investments. This caused a deterioration in the productive capacity of many sectors and an increasingly rapid incidence of restraint in the area of supply. The expansion in demand thus ends up being satisfied through a rise in inflationary impulses, and this also because stricter measures occurred in the use of productive capacity, whereby stagnant sectors are supported (absorbing resources) while dynamic sectors, through the action of throttling supply, increase prices. If we now observe the trend in the degree of utilization of the productive capacity of industry in the last few months, we find that this capacity is increasing rather rapidly in comparison with previous periods, especially in the sector which produces consumer goods. However, other figures show that, contrary to what is

happening in the United Kingdom, in Italy there seems to have been a certain redistribution of resources among stagnant and dynamic sectors, even though, obviously, it is not known if this has been sufficient.

As for explanations based on the theory of the "inflation in costs," even in this instance there are arguments pro and con. Aside from the well-known development in the price of oil, we may recall that the costs of raw materials increased drastically in the second half of 1978 and the first few months of this year. However, after that there was again a standstill in the quotations. As for the cost of labor per product unit, despite the fact that 1979 was a year for contract renewals, its increase in the current year should be less than the rate of increase in prices, according to available estimates. Nevertheless, it seems that we can speak of inflationary pressure nourished by a tendency to recover margins of profit. According to some scholars, in fact, the Italian economy would be characterized, at least from the beginning of the 1970's, by a lack of harmony between the actual margins of profit and those which were desired; a situation which would generate "an inflationary potential which tends to be liberated as soon as market conditions permit" (see the report, "Prometeia," of November).

However, there might be an intermediate diagnosis which puts the accent on the role of expectations. These expectations, on the one hand favoring the conditions of demand and on the other the availability of liquid assets, would have fomented and would foment inflationary behavior. Both international factors, such as the general increase in inflation in other countries or the trend in the price of oil, and domestic factors would contribute in determining the course of these expectations. Among the factors we may recall certain fixed causes, such as the introduction of the equity rule (which, in January, caused the price index to take a jump), seasonal events, as well as the ever-increasing diffusion of indexing mechanisms. Finally, a not insignificant responsibility in fomenting inflationary expectations can be attributed to the government both through recurring announcements of certain acts or behaviors not followed by adequate measures aimed at preventing or suppressing them and through its policy on the subject of prices and tariffs, which indicated considerable uncertainty on action to be taken, thereby stifling credibility in the announced decisions.

8548

CSO: 3124



## NORDLI'S ANTI-INFLATION PROGRAM SQUEAKS BY IN STORTING VOTE

Stockholm DAGENS NYHETER in Swedish 19 Dec 79 p 7

[Article by DAGENS NYHETER staff member Per Sjogren: "Lean Years for the Norwegians"]

[Text] Oslo, Tuesday--Norway escaped a government crisis which no one wanted. On Tuesday Odvar Nordli's government managed to get its economic restraint program passed by the Oslo lagting with a one vote majority. It is thus settled that there will be relatively lean years for the wage earners up to the spring of 1982. All in order to keep inflation down and maintain exports and employment.

This directly affects 1.6 million in the labor market. Indirectly it affects the entire country, 3.5 million inhabitants.

The question of orderly economy or crisis in Norway is important to Sweden as well. Norway is now our third largest export market after West Germany and Great Britain.

The next step will be that the LO [Federation of Trade Unions] and the Norwegian employers association, NAF, will begin negotiations for the wages of 450,000 LO-affiliated people in the private labor sector. This takes place in the latter half of January. It is a matter of a new central framework agreement for the period 1 April 1980 to April 1982. After that, corresponding negotiations begin for state and municipal workers. In all, the negotiations concern 710,000 LO affiliates.

If everything goes according to plans the state will afterwards participate as a negotiating partner across the board, that is to say not only for state employees. Agriculture and fishing will also be included. The result around March will be a combined settlement which in practice will include the entire country.

## Real Income

In this settlement the state will contribute a part in the form of tax relief and perhaps subsidies in order to keep food prices down. Wage earners



of all categories contribute their share by agreeing to moderate increases in income. The ceiling for nominal income increases is 10 percent if the economy is not to be disturbed. Inflation next year is calculated at 6 percent.

The common cake can be divided in several ways. LO's initial bid was established last week at a meeting with the representatives. The LO calculates that an average industrial worker had a 0.5-1 percent decline in real income this year. The LO primarily wants to return the real income to the level of 1978 for everyone.

Beyond that the LO wants a special income guarantee which means that no one should have less than 87 percent of the average wage in the LO-NAF area. This is one form of the low-wage effort. The percentage is negotiable.

#### Low Wage Fund

This low wage effort is to be safeguarded by means of payment by all wage earners into a low wage fund. That question was discussed before the most recent wage negotiations in 1978, but now it has become reality. The strategic thought is that this fund will later be turned into a wage earner fund according to the model discussed in Sweden and Denmark. This was the information given to the DAGENS NYHETER by the LO on Tuesday.

The issue of wage earners' funds has not been of current importance in Norway up to now.

The idea of the government's proposal, which became law on Tuesday, is that everyone who earns income from work is to feel the squeeze. The government is given authorization to see to it. There are about 500,000 in the labor market who are not members of central organizations or are not members of any organizations at all.

All wage earner income is thus regulated by a figure which will be revealed during the upcoming negotiations, primarily from what the LO may arrive at. According to the law, a ceiling will also be imposed on stockholders' profits. And prices in the free trades such as physicians and dentists will be regulated through increased price controls.

The intent is that the policy of economic restraint since September 1978 will be continued in this manner until the spring of 1982.

Inflation in Norway has been pushed back to 4.5 percent this year, the additional costs for Norwegian industrial goods have been reduced from 20 to 5 percent and Norwegian industry is now to become fully competitive with all others. "Mainland" Norway minus oil and shipping is to cease living on foreign loans.

## Narrow Victory

The Social Democratic government and the opposition parties have been in agreement about the goal but not about the means. Three bourgeois parties refused the idea that the LO should be allowed to dictate to all others in the labor market how high the wages may get for the next 2 years.

During the first vote in the odelsting last Saturday the government's proposal won by two votes. The two votes came from the small Venstre [Liberal] party.

During the vote on Tuesday in the lagting the initial position was that the Social Democrats had 19 votes, the three bourgeois parties 19 and the Socialist Party of the Left (SV) one vote.

The SV is opposed to any form of legislation which binds the wage earners' organizations. This is why the SV was opposed to the government's proposal.

The sole representative of the SV in the lagting, Hanna Kvanmo, said that this was like choosing between the plague and cholera. The plague was voting with the bourgeois opposition and bringing down the government. Cholera was allowing the government's proposal to go through.

Hanna Kvanmo solved the problem by first voting against the modification proposal of the three bourgeois parties which involved the key role of the LO. The government has thus won by 20 votes against 19. After that she asked for a vote on her own proposal that the government proposal should be rejected. For that she got only one vote. Her own.

So the government was saved and the program of restraint was clinched.

## Two Chambers When Norway Makes Laws

The Norwegian storting is divided into two chambers for decisions on legislation. The actual debate takes place in the odelsting, which consists of three-fourths of the 155 members of the storting.

From there the bill goes on to the lagting, which today has 39 members. The lagting can pass, amend or reject bills coming from the odelsting. If the lagting rejects a law it goes to the storting in its entirety. But then two-thirds of the storting must approve the bill. Otherwise it has been rejected, that is to say the government has been defeated.

There was no chance whatsoever that the Nordli government bill with proposals for economic restraint would get the majority in the storting. The government refused to accept amendments.

The trump card of the government was that the storting cannot be dissolved if the government suffers a defeat and resigns. The storting remains for the 4-year period for which it is elected.

Had the lagting rejected the government's proposal and had the government decided to step down, the three bourgeois parties would have been forced to form a new minority government which would have had a very small chance of dealing with the continued policy of restraint against the will of the LO.

The starting election is not until September 1981. A bourgeois minority government would not have lasted until then.

The constitution and Hanna Kvanmo's vote thus saved the Nordli government on Tuesday. Kvanmo said that she refused to choose between the plague and cholera. And yet she did.

The three bourgeois parties also said that they refused to choose between the plague and cholera. But they chose by not voting for Kvanmo and thus the government was saved in the second vote. For no one wanted a government crisis.

As a political minuet it was extremely delicate.

11949

CSO: 3109

## REKSTEN ACQUITTED IN TAX FRAUD CASE

Stockholm DAGENS NYHETER in Swedish 19 Dec 79 p 7

[Article by unnamed DAGENS NYHETER correspondent: "Reksten Acquitted in Tax Case"]

[Text] Oslo, Tuesday--Shipowner Hilmar Reksten was acquitted Tuesday in the Bergen district court of all essential charges against him. With that what for many years has been "the biggest legal economic question in the history of Norway" has ended with a defeat for the prosecuting authority.

At the Bank of Norway, which has played an essential role in working out the prosecution, people are dismayed over the acquittal. Among those who deal with exchange and tax controls the verdict will be regarded as a serious setback for the work carried out in order to improve supervision of Norwegian shipowner activity abroad.

The Bergen district court has not found any assertions of foreign exchange fraud. The only point on which shipowner Reksten was convicted was the sale of a supertanker, for which he was found guilty of not having paid taxes amounting to 13.6 million. For this he was sentenced to 1 million in fines or 100 days in prison. He was also sentenced to pay court costs in the amount of 5,000 crowns.

## No Proof

The prosecutor's presentation included tax evasion amounting to a total of more than 420 million Norwegian crowns with the aid of fictitious companies in various countries. This could not be proved by the court. The same applies to the indictment for the shipowner having exported these 23 million crowns without permission from the Bank of Norway or from the Norwegian Department of Trade.

It is still unclear whether the verdict will be appealed. It is expected that both the state prosecutor and the accused need some time to decide on that.

To the authorities, however, the verdict is a tremendous setback. The case was regarded as precedent-setting and they have done an enormous amount of work in order to procure material which was to contribute to the establishment of control over the activities of Norwegian shipowners abroad. Had Reksten been convicted other cases would have followed, but after the verdict of acquittal it is doubtful whether one will dare bring other shipowners to court.

11949

CSO: 3109



## NORSK HYDRO SEEKING EXPANDED ACTIVITY ABROAD

Stockholm SVENSKA DAGBLADET in Swedish 16 Dec 79 p 33

[Interview of Norsk Hydro top man Odd Narud by Carl Swartz: "Norsk Hydro-- Largest Company in the Nordic Countries; Wants Close Cooperation With Swedish KemaNobel"]

[Text] Closer cooperation between Norsk Hydro and Kema-Nobel is something which the top executive of the Norwegian company, Odd Narud, has been hoping for, he tells the SVENSKA DAGBLADET. The two companies complement one another on many points.

Further, it becomes evident from the interview that it is now that the large investments in the North Sea should begin to show results. During the next 4-5 years the company is to cut its long-term debts in half despite investments of about 1 billion annually. A number of years in the Volvo class, is the prognosis of the SVENSKA DAGBLADET.

[Question] Has the collapsed Volvo agreement deteriorated the climate for future industrial cooperation between Sweden and Norway?

[Answer] I haven't noticed that there is any negative attitude. But I believe that cooperation between Norwegian and Swedish industry must build on projects which are of interest to both sides; both partners must find it advantageous.

This is why industrial cooperation can scarcely become concrete until industry itself enters the picture. Certainly, the politicians can create preconditions to some extent, but there must be a company in Norway and one in Sweden which both have a joint interest in the cooperation.

[Question] Do you have any immediate plans for cooperation with Swedish companies, for example KemaNobel?

[Answer] We constantly have very close contacts with KemaNobel and sometimes there may be things which we study more closely. However, there is nothing concrete right now, but I believe we have good chances in general for arriving at something. The mutual interest I just spoke about exists in many areas.

Already the circumstance that in recent years KemaNobel has come closer to the market while we have developed the bulk production contains a mutual interest in cooperation. For it was primarily in order to get a market for our production of vinyl chloride that we wanted to get into PVC production. What might be the result of closer cooperation with KemaNobel is too early to predict, however.

[Question] The project of the PVC factory in Denmark foundered because of, among other things, local environmental opinions. But the need for a PVC plant in Denmark nevertheless remains, doesn't it?

[Answer] Yes, there is no such production in the country. What we have now looked a little at are the possibilities of locating a PVC factory in northern Germany in order to supply the Danish market from there. We have been in contact with the chemical company Huels regarding such a facility. KemaNobel has also been invited to participate in those discussions since we would like to develop relations with the Swedish company. But we have as yet made no decision as to a north-German factory.

[Question] Has the cooperation with KemaNobel which was discussed in connection with the hopes of that company for entering the search for oil been completely eliminated?

[Answer] That cooperative project was expressly tied to the oil concession and therefore fell through completely, although there are parts which are of interest in themselves.

[Question] How do you look at your activity in Sweden; will you buy more companies there?

[Answer] I don't think so. We have entered the fodder production through Engstroms och Fors and we did that in order to be able to cover the needs of agriculture for more than just fertilizers. KemaNobel also has certain interests in the latter area through Supra and there has perhaps been a great deal of speculation around it. But there are no concrete plans whatsoever from our side for buying into Swedish production.

[Question] Speaking of the market: Hydro produces largely raw materials and semifinished products. Will you seek to get closer to the market, is that where the future is?

[Answer] It is correct that we make mainly bulk goods and to a rather limited extent have undertaken continued processing of our products. This came naturally since we were able to expand sufficiently in the area of raw materials.

Whether in the future we will go further along the road to continued processing cannot be answered with either an absolute yes or an absolute no. To some extent we may do so, but I think that what characterizes Norsk Hydro today will not change notably.

But we have aluminum pressing plants in seven or eight countries in Europe and will now enter the United States as well. It will turn into some sort of balancing act as to how much will be sold as metals and how much will be further refined within the conglomerate. We believe we have a quite correct relationship between the two kinds right now. When we then increase our production of metals by 50,000 tons a year a certain need for investment in continued refinement is created. This is an evaluation which is founded on the future prospects for metals and refined products, respectively.

[Question] What about the possibilities of cooperation with Granges Aluminium and Norwegian metal producers?

[Answer] The chairman of Granges, Hans Werthen, mentioned in a speech in Bergen this fall that there ought to be some interest by the Norwegian aluminum industry in cooperation with Granges, which is a company closer to the market. But as I just mentioned we believe we have a good balance between metal production and continued refinement. What the situation is in other Norwegian aluminum companies is not up to me to talk about.

[Question] You recently bought a fertilizer company in Holland. In relation to the figures for results and capital resources accounted for in Hydro's annual report you seem to have paid a high price. What was the reason for this?

[Answer] Many factors play a part. In buying this factory we entered the common market and to some extent the United States. We will thereby be able to secure a market for our production here at home in a different manner than before. We will also get opportunities for introducing products other than those manufactured in the Dutch company.

The purchase should also be seen in the light of our engagement in Qatar where we own 25 percent in a fertilizer plant and also have responsibility for operation and sales. The goods from there are delivered to the Middle East, the Far East, East Africa and also Latin America. With our two foreign engagements we are today actually the world's second largest exporter of fertilizers. That is a situation difficult to evaluate in crowns and ores, but which has allowed us good returns overall for the purchase money.

It could also be said that if we were to build the existing facilities in Holland today the costs would be at least double those of the purchase price.

[Question] You have large investment commitments in the field of oil ahead of you. Since you also want a certain balance between the various activities you must also invest in other branches of enterprise. At the same time your solidity is not too great. Will you manage the financing by yourselves or are you looking for joint financing of certain projects?

[Answer] It is clear that we are interested in cooperation but there are also disadvantages. You don't have the use of the cash flow generated by a semiowned company. We are therefore primarily interested in cooperation which provides us with a market for our own production.

As far as solidity is concerned it is our intent to pay off during the next 4-5 years about half of our debts of about 10 billion crowns. We could manage such a payment of debts and still invest well over 1 billion without needing to ask for new capital. At the same time our own capital will grow because of our profits so that the solidity will increase from about 18 percent today to a little more than 35, perhaps 40 percent.

But should we be so lucky as to participate in a developable oil or gas field, then the investments will be of different dimensions even for someone who has a relatively small share.

[Question] Last year Hydro had a profit on the total capital of about 10 percent. That is too small, you would perhaps need twice that. What reasonable possibilities are there for achieving that?

[Answer] Both oil and gas prices are on their way up and so far the increase has been greater than we expected. This is why it is primarily the result of the oil activity which contributes to the profit increase needed by the conglomerate.

But the future may be judged bright for aluminum as well. Today there is largely a balance between supply and demand. The rate of expansion is low and in the long run the energy situation will affect energy-intensive production. This is why I believe that aluminum will have good profitability for us.

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## OIL SEARCH THE KEY TO NORSK HYDRO'S RECENT SUCCESSES

Stockholm SVENSKA DAGBLADET in Swedish 16 Dec 79 p 33

[Article: "Oil Search Has Begun to Show Dividends"]

[Text] Norsk Hydro -- which celebrates its 75th anniversary in December 1980 -- is Norway's largest industrial enterprise. During the 1978-1979 financial year the conglomerate had a turnover of more than 9 billion Norwegian crowns. The number of employees approaches 12,000, of whom about 10,000 in Norway.

The original production is fertilizer, which in the beginning was produced from nitrogen from the air with an energy-intensive electrical process. The country's abundant supply of hydroelectric power provided the method and the company with competitive advantages.

Since then the conglomerate has entered other energy-demanding areas such as production of aluminum and magnesium, but it has also expanded the fertilizer production to include both other agricultural supplies and industrial chemicals.

## Oil in the Focus

Today it is oil which attracts the greatest interest in the public evaluation of Hydro. At the beginning of the sixties the company found it important to safeguard the supply of oil which nowadays is the raw material for the ammonia needed in the production of fertilizers. The company thus entered the search for oil in the North Sea at an early stage.

Norsk Hydro has partnerships in two large fields in the North Sea. One is the oil and gas field Ekofisk, in which the company has a 6 percent share. The other is the large gas field Frigg, in which Hydro's share is more than 32 percent. The company also has partnerships in several promising blocs, where production may become feasible.



## Beginning to Yield a Dividend

It is only now that the large investments in extraction facilities -- on the part of Hydro more than 5 billion Norwegian crowns -- are beginning to show a profit. Last year the company's income from oil and gas amounted to 2.9 billion Norwegian crowns, only 50 million Norwegian crowns fewer than for fertilizers and related products. During the present financial year oil will become the largest source of income.

Profits before taxes and balance-sheet arrangements for the most recent financial year are shown as 339 million Norwegian crowns. But to that sum ought to be added about 200 million crowns in additional writeoffs for facilities in the North Sea for which favorable depreciation regulations are in effect. Last year's profit thus ought to have been more than half a billion.

In a prospectus for a new issue of shares the company reports that its self-financing ability for the next 2 years is about 4.5 billion Norwegian crowns.

Exclusive of additional writeoffs, more than half of that sum can be assumed to come from depreciations, which should indicate that profits before dividends and taxes for each of the next 2 years will be around 1 billion. An interpretation of Odd Narud's statements regarding the level of solidity in 5 years indicates that Hydro's profits for another 2-3 years longer will end up around or above the magic billion.

This brighter outlook for the future has set the stock price in motion. A year ago it was a bit under 200 crowns; now it has climbed to almost 900. To be sure, there is still a way to go to the top rates of the mindless oil rush at the beginning of the seventies of about 1,200 crowns, but most experts now expect a continued rise in prices.

## Alternative in Sweden?

Since Norsk Hydro is the only Norwegian stock which foreigners may buy freely it could become an alternative to other foreign shares for Swedish investors. The switch fee of about 17 percent cannot be avoided by the Swedish investor, however. This would mean that a purchase would cost about the same amount in Swedish crowns as the price quoted in Oslo in Norwegian crowns.

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CSO: 3109

## PROSPECTS FOR FOOD INDUSTRY AFTER EEC MEMBERSHIP ANALYZED

Lisbon DIARIO DE NOTICIAS in Portuguese 12 Nov 79 pp 17, 18

[Text] Preserved fruits and vegetables hold a basic position in the group of agriculture and food processing industries, representing 10 percent of the gross value added and 11 percent of funds invested (1977 values). Last year, exports in this subsector exceeded 2.2 million contos, equal to about 12 percent of the value of products placed abroad by agriculture and related activities. The small unit dominates this subsector; about half the companies have from 1 to 19 employees and only 26 percent of them fall into the class of companies with 100 to 1,000 employees, although there is one establishment with over 500 employees [as published].

In a survey of the companies, conducted within the FILAGRO [?Lisbon International Agricultural Fair], the Portuguese Industrial Association [AIP] sums up the basic problems of the subsector, where the EEC could have a strong impact as a privileged market. The text we are publishing today, based on the responses of the companies, also makes it possible to identify some outlines of a policy for stimulating production and improving ability to compete abroad.

#### Production

In the 3 years 1976 through 1978, according to the data furnished by INE [Portuguese Statistical Institute] industrial statistics, a little less than half the value of the major activity in the sector was represented by tomato paste, a product which showed a much higher contribution (70 percent) in 1974.

Based on values furnished by the companies that responded to the AIP survey, we estimate that, in 1978, the gross value of production in the sector was approximately 5.4 million contos, and that for the current year, this value has increased by about 30 percent.

In this sector of industry, owing to its strong dependency on agricultural production, which in turn depends on weather factors, it is not easy to predict future production. Still, the companies expect increases in gross production values in 1979-1980 to be smaller than those obtained in 1979

over 1978. This expectation is strengthened by the fact that in 1979 the average production per hectare of tomatoes (80 percent of the fresh tomatoes used by the sector) destined for industry fell by 4 percent from 1978. Nonetheless, for 1980, a growth of about 20 percent is expected in the gross value of production.

### Exports

About three-fourths of the production in this sector is destined for the domestic market, where tomato pulps and pastes, in particular, are placed. In this category of foreign trade, the value of exports in vegetables, fruits and other plants or parts of plants was about 2.2 million contos in 1977 and 1978, and over 90 percent of this value represented tomato derivatives. From January to April of this year, exports of this product went over 850,000 contos.

Our major clients are the EEC countries, specifically the United Kingdom, and, after 1975, the Soviet Union.

Most of the companies surveyed export directly, although in some cases they use the services of agents abroad. Among the 10 exporting companies that responded to the AIP survey, 6 expected to increase their exports (4 companies expect to diversify their markets). In some cases, this increase is pending conclusion of the expansion of facilities now in progress. One of the companies said it would not increase its exports because it could not expand production, for lack of raw material, i.e., tomatoes.

### Raw Materials

The material used by the industries is almost entirely domestically produced. Moreover, most of the products are perishable.

According to the companies under consideration, the domestic raw materials are scarce and of inferior quality, shortcomings which the companies attribute to a system of farming that is semiskilled and not industrial in design. Crating and packaging materials are hard to acquire, owing to delays both in the filling of orders and the supply of some materials. With specific respect to tinsplate for export packaging, one of the companies mentioned the difficulties arising from the constant changes in the prices set by National Steel.

The industrialists in the sector also have some difficulty in obtaining parts and accessories for their equipment, which delays production.

Questioned as to measures to eliminate or mitigate the above-mentioned problems, the companies indicated they would like to see stabilization of the prices of the materials they use and the elimination of bureaucratic red tape in acquiring this material. They also ask for specific measures to improve the quality of raw materials. One of the companies adds that the solution to these problems will require a "reform in thinking," not only through intensive action by the responsible public agencies but also the positive contribution of the companies themselves.

## Investment

According to official statistics, investments in the sector in 1977 reached about 250,000 contos, in nominal terms, about three times the value of the previous year. From data supplied by the AIP survey, it is estimated that in 1978 investments did not reach 100,000 contos, and they were even smaller in 1979.

Between 60 and 70 percent of the investments in 1978 and those to the end of this year were for the purpose of expanding production capacity, and were financed mainly through domestic credit. Only 1 of the 11 companies surveyed (one of the largest) also used foreign credit, and over half the equipment included in these investments is domestically produced.

Difficulties in acquiring equipment, either domestic or foreign, derives from the lack of private financial means and/or difficulties in obtaining suitable periods and interest rates. With respect to equipment produced domestically, the companies in the sector are faced with delays in delivery. Less than one-third of the firms (3 in 11) that responded to the AIP survey use foreign "know-how," in terms of technical knowledge and improvement of production processes.

## EEC Membership

What prospects does future membership in the EEC offer for the Portuguese preserved fruit and vegetable industry? The firms in the survey answered as follows:

"Confused prospects"--9 percent.

"Good, under certain conditions"--18.2 percent.

"Good"--36.4 percent.

"No answer"--35.4 percent.

Two of the largest companies (together they employ over 800 people and gross over 200,000 contos, with exports representing 97 percent of this sum) feel that Portugal's membership in the EEC offers good prospects, specifically for the tomato concentrate industry, on condition that the companies receive the necessary support from the competent agencies to enable them to compete in the international market on an equal footing with Italy, Greece and Spain.

Three other companies of reasonable size (they employ about 350 people, with gross production valued at 450,000 contos, 70 percent in exports) are more optimistic. They expect membership to make it easier to negotiate with the EEC, which is one of the major markets for Portuguese exports of tomato-based products.

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CSO: 3101

## PORTUGUESE INDUSTRY FACING UNCERTAINTIES IN EXPORT MARKET

Lisbon DIARIO DE NOTICIAS in Portuguese 12 Nov 79 pp 17, 18

[Text] The trends described in the latest reports of the MIT [Ministry of Industry and Technology] and the Center for Planning Studies <sup>1</sup> foreshadow a difficult year's end for Portuguese industry, which has recently been marked by stagnation in its overall growth rate, although some sectors geared to the foreign market have shown strong animation. Before long, these areas of expansion could begin to feel the first effects of a deceleration in potential foreign demand and the decline in the competitiveness of the exports, trends already verified in the second and third quarters of the year.

The data developed by the MIT shows that planned investment and employment in the manufacturing industry showed a drop of 46.1 percent and 59.7 percent, respectively, in the second quarter of this year, as compared to the same period last year. It was further confirmed that, in spite of everything, the overall volume of industrial production increased 3.3 percent over the preceding quarter, a rate considered "frankly moderate," after the sharp drop observed in the first months of the year. In the second quarter of this year, industrial production increased 6.9 percent over the same period in 1978, a figure lower than that recorded last year in relation to 1977.

Analysis of the monthly development of the IPI [Index of Industrial Production] leads to the admission of a significant deceleration in production during the third quarter, which coincides with the vacation season. In fact, in June there is an obvious reversal of the recovery period observed in March, April and May; the homologous variations<sup>2</sup> in production (i.e., in relation to the same month in the previous year) clearly illustrate this decelerating trend: January 2.25; February 0.4; March 11.7; April 8.3; May 7.7; and June 4.6.

This situation results, in large measure, from the moderate growth in the manufacturing industry--always below the general IPI figures and the rates attained in the other components (extraction industries and energy).

<sup>1</sup> "Industrial Situation, Major Trends" (MIT) and "Socioeconomic Situation" (CEP)

<sup>2</sup> Homologous variation (simple): Variation from the same period in the previous year (month, quarter or half-year)



The extractive industry (with the exception of stone quarries) actually presents quite high homologous variations in production (23.5 percent), apparently explained by the very low figures verified for the same period last year. We are not actually seeing a real trend toward recovery. The MIT is now predicting slow growth rates for the sector in the next months, the result of a foreseeable contraction of the domestic market.

#### Analysis by Sector

The disparities in the status of the sectors, obscured by the general picture that we have briefly outlined, can be seen simply in the following chart by sector, distinguishing three broad groups: A--areas of strong growth; B--areas of moderate growth; and C--areas in recession.

#### BEHAVIOR OF INDUSTRY BY SECTOR (Homologous Variations---First Half-Year)

Manufacturing Industry	5.3 percent
Petroleum derivatives and coal	16.4
Beverages	15.1
Textiles	12.6
Paper	12.2
Wood and cork	11.4
Chemicals	8.8
Group B	
Electrical material	6.4
Food	6.0
Plastics	5.8
Nonelectric machinery	4.3
Leather	3.9
Tobacco	3.5
Group C	
Nonmetal minerals	-1.5
Rubber	-3.4
Metal products	-4.9
Basic metals	-6.8
Transport material	-16.3

In Group A, a comparison with the situation in the first quarter clearly indicates that the food industry and that of electrical material have dropped, giving way to plastic articles, nonelectric machinery and chemical products, which have been solidly growing in importance on the market. Noteworthy, on the other hand, is the strong performance of a group of markedly traditional sectors geared to the foreign market (textiles, paper, wood and cork). Up to May of 1979, this group of industries provided about 47 percent

of all manufactured exports. In the first 5 months, textile exports, including clothing, reached a value of about 20 million contos, which represents an increase in value of 74.5 percent over the same period in 1978, with an increase in value of 74.5 percent over the same period in 1978, with an increase of 31.8 percent in volume. Considering the clothing industry by itself, foreign sales rose 90 percent in value, and 40 percent in volume, over the same period in 1978. This development appears to be counteracted by the sharp recession in domestic demand and by problems in acquiring raw materials, the price of which has risen significantly. The direct effects on production are obvious: in the second quarter, the rate of utilization of the productive capacity in this subsector fell from 81 percent to 79 percent.

With the exception of tobacco and the food industry, which partly reflects the sharp recession in livestock farming, Group B ("moderate growth") generally includes sectors which have improved their rate of activity in the second half of the year.

In the group of sectors with growing losses are "nonmetal minerals," "basic metals" and "transport materials," reflecting, on one hand, a decline in civil construction and, on the other, the crisis in the automobile sector itself. It is noteworthy that this group includes some of the most deficient sectors covered in the IPI, which could have a negative effect on the analysis, above all in the case of metal products and transport materials, which does not include naval construction.

#### Foreign Trade Decline

The situation studies agree that in the last 18 months, foreign demand has been the decisive factor in preventing a pronounced recession in industrial activity, which was surely expected following systematic application of the deflationary policy that was agreed on with the IMF. In homologous terms, exports rose by 28 percent in volume and 63 percent in value in the first 5 months of the year, exceeding the most optimistic forecasts.

It will be difficult, however, to maintain this rate for the entire year. According to CEP forecasts, estimated with seasonally corrected values and based on constant 1974 prices, exports should show a growth of 15 percent in 1979. In the second half of the year, foreign sales could show a drop of 2 percent from the results of the first 6 months. The expected decline will particularly affect "agricultural products and byproducts," textiles and shoes, and any significant increase can be expected only in chemical industry products. According to the same estimates, imports rose this year by 5 to 6 percent, with an increase in "intermediate goods," stagnation in "essential consumer goods and manufactured products," and a continuing drop in equipment and durable consumer goods.

The CEP study further states that the indicator of potential foreign demand continued to grow in the second and third quarters of this year, although it presents increasingly lower growth rates. At the same time, the competitiveness of the nation's exports has been declining since the beginning of the

year, and it is predicted that, in the third quarter, this indicator will drop to its lowest point since the early months of 1978.

At first glance, this development might not have any significant effect, since Portuguese exports react more sensitively to variations in foreign demand than to changes in competitiveness (respective elasticities of 1.893 and 0.626<sup>3</sup>). The CEP admits, however, to the appearance of "some difficulties" in the placement of Portuguese exports, which will also depend on the development of world trade following the expected recession in the United States.

#### Postelection Dilemma

The contrasts among the sectors of industry represent one of the most obvious outward manifestations of the restrictive monetary policy executed in accordance with the IMF agreement. A strong devaluation of the escudo, extended by the contraction in the volume of credit and the limits imposed on the overall increase in wages, has enabled the rapid recovery of foreign competitiveness, and at the same time has contributed to a continuing contraction of the domestic market and the creation of an exportable surplus. For many companies, this has been the only salvation, and an excellent source of income. With imports virtually at a standstill in real terms in a phase of deep decline in domestic demand and in the standard of living, industrial growth has slowed sharply, and a group of sectors--most of them traditional--have rapidly become veritable islands in a situation dominated by stagnation.

Under the present circumstances, a rapid decline in foreign demand could have serious effects, as the description of the industrial situation makes very clear.

The least amount of common sense and a minimal acquaintance with the structure of Portugal's foreign trade may be all that is needed to understand the exports cannot continue to grow at the rate of the last 2 years.

Any expansionist movement must necessarily get around the deterioration of the foreign financial situation at short and medium range. To define the most balanced combination of monetary, exchange and budget policies, to prepare for the "cautious opening" of a period of strong and sustained growth, will probably be the decisive issue of postelection economic policy. But there should be no illusions; credit is not going to rain down, investment will remain cautious until the electoral marathon is over, the fetters will only be loosened; because "stabilization" has not altered the structures that generate the foreign deficit, and there is always the risk of having to say, once more, that "the medicine was too strong."

<sup>3</sup> Elasticity: relation between the percentage of variation of one variable X (e.g., exports) and the percentage of variation of a variable Y (e.g., their competitiveness).

## BRIEFS

CIP CREATES INTEGRATION OFFICE--Among the actions taken to support national industry with Portugal's membership in the EEC, the CIP [Portuguese Confederation of Industry] has now created, in Porto, an Office of European Integration and of support to Portuguese exports. The purpose of the office, which already can count on technical support and international data from agencies connected with the EEC, is to study problems arising from our membership in the communities, and to provide information for businessmen. One of its primary tasks is to provide support for export activity, by studying relevant problems and helping to overcome difficulties that exporters face. The office will provide the latter with the information they need and will also collaborate directly in their relations with official agencies linked to export. The office is to be located in Porto, where other CIP services have functioned since 1976, because a significant part of the nation's exporting activity is concentrated in the north. [Text] [Lisbon EXPRESSO in Portuguese 10 Nov 79 p 18] 6362

PUBLIC DEBT--Portugal's public debt was 393 million contos at the end of the first quarter of the year, according to data worked up by the Luso-German Chamber of Commerce and Industry in its latest bulletin. There was an increase of 105.6 million contos (36.6 percent) over the same period last year. The domestic public debt rose to 265 million contos, while the foreign debt is 129 million contos. [Text] [Lisbon EXPRESSO in Portuguese 10 Nov 79 p 18] 6362

TRADE BALANCE WITH UK--According to the most recent data published by the Trade Ministry of the United Kingdom, Great Britain imported Portuguese products amounting to 193.2 million pounds (about 20,288,000,000 escudos) in the first 6 months of 1979, whereas for the same period in 1978, imports amounted to 151.8 million pounds (about 15.94 billion escudos). British exports went to 176.1 million pounds (about 18,492,000,000 escudos), whereas in the first 6 months of 1978 they were valued at 175.6 million pounds (approximately 18.44 billion escudos). [Text] [Lisbon EXPRESSO in Portuguese 10 Nov 79 p 18] 6362

CSO: 3101

## EXISTENCE OF YET ANOTHER SPY SUSPECTED WITHIN SECURITY POLICE

Stockholm DAGENS NYHETER in Swedish 1 Dec 79 p 10

[Article by Leif Dahlin]

[Text] Is there another policeman spying on Sapo [Swedish Security Police] for the Russians in addition to the imprisoned spy, Stig Bergling? DAGENS NYHETER has learned that investigations into this are under way. Some of the information on the Bergling affair presented to the government on Friday by the 1979 Judicial Commission served to reinforce suspicions of Russian infiltration into Sapo.

According to the report when Bergling was uncovered he said that he had been worried that the security police were on his trail. For this reason he asked his Russian contact, a military attache, during a meeting last November to try to find out whether Sapo was in the process of investigating him. This January the Russians sent him a coded message that there were no indications of such an investigation. According to the report the Russian information was incorrect. Investigations were well under way by the time he received the reassuring message from the Russians.

According to our source Bergling would not have made such an inquiry unless he knew that the Russians had contacts within Sapo. And the source said it is not surprising that he was given a reassuring report. For tactical reasons the Russians never told Bergling what they knew about the ongoing investigation.

On certain points the Judicial Commission questioned the propriety of some Sapo routines and measures or directly criticized them.

Too Late

The commission, which questioned 27 people in all, wondered if Police Inspector Bergling could not have been detected much earlier than this March when he was arrested at Tel Aviv Airport. The commission was



especially critical of the handling of an incident in 1976. Bergling's fiancée who has been jailed on suspicion of being an accessory to major espionage had reported a number of suspicious things regarding Bergling's misconduct, illegal activity, etc--without any action being taken.

Former Sapo division head, County Police Chief Olof Franstedt of Göteborg, told DAGENS NYHETER:

"I contend that acting in any other way would have jeopardized the entire investigation and would have led to failure. I further contend that if the security police are to be able to reveal spies in the future they cannot adopt the methods recommended by the Judicial Commission with reference to the Bergling case. It would be naive to imagine that Bergling was not caught through effective safeguards. This was almost a perfect revelation.

"The Judicial Commission's evaluation of the actions of the security police in the Bergling case is based largely on wisdom after the event," said the county police chief.

When this statement was read aloud to division chief Sven-Ake Hjalmarth he replied:

#### Different Interpretations

"Bergling's statement that he asked the Russians for help in finding out if he was being investigated can be interpreted in various ways, of course. Did the Russians really intend to 'burn' Bergling by giving him reassurances about the lack of an investigation? Well, you have to wonder about that."

A short time ago division chief Hjalmarth expressed his satisfaction that after the reorganization and the unmasking of Bergling working conditions in Sapo had improved and that work was going well there.

It has been said that Bergling was amazingly cooperative and that most of his disclosures could be checked and turned out to be correct.

#### Not Detrimental

Division chief Hjalmarth felt it wasn't "really good" of the Judicial Commission to include information about Bergling's inquiry to the Russians concerning whether or not an investigation was under way. What Bergling said during the secret trial (verdict on 7 December) cannot be detrimental at any rate when it comes to revealing a possible replacement for Bergling or an employee higher up the scale who might be spying for the Russians.

## Papers Missing

Bergling was employed by Sapo in December 1968. According to the commission Police Superintendent A said that prior to Bergling's recruitment he had sent a memo to another superintendent concerning Bergling's UN service on Cyprus. A's memo has not been found. According to a reconstruction made by A on 23 April 1979 the memo concerned reports of improper conduct by Bergling with regard to police colleagues in Sweden, subordinates and Turkish Cypriots. The memo purportedly concluded that Bergling was not a suitable candidate for Sapo employment.

A former Sapo employee said that while he was on emergency duty during the fall of 1968 he received a phone call from a colleague in one of Sapo's provincial divisions. The colleague wanted to warn against hiring Bergling. The information was sent along to one of the recipient's superiors. That memo could not be found either.

## Nothing Positive

There are several policemen who warned Sapo against hiring Bergling. One of those DAGENS NYHETER managed to get in touch with is Criminal Inspector Bo Lindeberth of the Uppsala criminal police.

"I have served tours of duty with the UN police force on Cyprus and in the Middle East. I was a military police chief on Cyprus. I lived right next to Bergling in the Famagusta zone in 1968. At that time Bergling was platoon leader for a rifle battalion. A little later I was asked by the security police to give a written report of my opinion of Bergling as a policeman. I sent in my report. I can tell you there was nothing positive in it. As far as I know this material has disappeared from Bergling's personal file. During my period of service in the Middle East in 1978 I heard such alarming reports about Bergling that I contacted another authority in Sweden. I then noticed that suddenly 'the ball started rolling.' My impression was that Bergling was obviously unsuitable for a security job. He ran down the Swedish police and Sweden in general. He had no use for minority groups."

## Enormous Damage

Bergling's espionage activity caused enormous damage to total Swedish defense. As head recording clerk for a while in the defense staff's security division he had a complete view of secret material which he was able to photocopy. There was at that time no supervision of the number of copies made by the machine.

During a police interrogation Bergling said that after he was made an investigator for the Sapo reconnaissance office he acquired considerably more information than he had access to during his field service. He

often worked alone in the office. It was a natural meeting place. Staff people came in there to report and to receive information. At times as many as 10 people were sitting there and talking. Bergling had access to the investigators' radio communications. All reports were put in a tray and before they were sent on to his superiors Bergling wrote the most important information down on small pieces of paper. He then sold all the reconnaissance notes and other items to the Russians.

In October 1975 Bergling took a week-long charter trip to Sorrento, Italy. At that time he met the woman who later became his fiancée. She had many contacts with people working at the NATO base in Naples and was given the impression that she was working for NATO in checking up on the private friendships and reliability of NATO officers.

The woman came here and they started up a relationship

In February 1976 the woman was admitted to Karolinska Hospital. She had been mistreated by Bergling and the hearing in one ear had been damaged. She reported the incident to the criminal police. And a few days later she went to the criminal police again on the advice of the Swiss Consulate in Stockholm. The woman gave a detailed report of her relationship, the physical abuse and her fear of Bergling. On 16 February she returned with Bergling for a police interrogation. But no action was taken as a result of the abuse.

The whole affair which contained some extremely interesting details was reported to the man then in charge of Sapo, Hans Holmer.

Hans Holmer left his job as chief of Sapo at the end of June that same year. On 1 September Sven-Ake Hjalmarth took over. Hans Holmer never briefed his successor on the case.

"Since I came to the security police other employees have told me about the matter," Hjalmarth commented.

Bergling has said that his economic situation became precarious in the fall of 1973 and that something drastic had to be done. In connection with a party at the Russian Embassy in Beirut he made contact with the Russian military attache, Colonel R. Bergling said that "maybe they could do a little business" since he was "quite broke." Bergling was asked to come to the attache's residence the next day. Bergling then said he had something at home that might be of interest. Without obtaining leave from his UN service Bergling flew home and picked up the material (stamped secret).

At the dictation of the attache Bergling signed a commitment to become a Russian spy.

Bergling was cautioned not to tell anyone about the contract. That evening Bergling received his first espionage payment--8000 Lebanese pounds, roughly 15,000 Swedish kronor. Bergling wondered what they were expecting from him in the future.

"Sweden is not a major enemy of the Soviet Union," was the reply.

The taskmasters wanted him to spy on other countries.

Bergling later received very advanced jobs and was one of GRU's (the Soviet military security service) leading spies in Europe. He got his coded instructions in microdots and answered in letters using invisible ink. He got camera equipment with very light-sensitive film and he received training in receiving coded messages over the radio, etc. Bergling made many trips between Sweden and the East.

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CSO: 3109

## STAGGERING FOREIGN DEBT PREDICTED FOR 1980

Stockholm DAGENS NYHETER in Swedish 8 Dec 79 p 32

[Article by Jan Magnus Fahlstrom]

[Text] Sweden could rack up a foreign trade deficit of over 22 billion kronor in 1980 compared with around 14 billion this year. So wrote the economists of the Federation of Swedish Industries in their fall report which was issued yesterday. The federation holds the record for pessimism in comparison with market evaluations published earlier in the fall.

LO [Swedish Federation of Trade Unions] and TCO [Central Organization of Salaried Employees] predicted a trade balance deficit of around 15 billion in 1980. In the Market Institute's October report on the state of the market the figure was set at 16.3 billion. According to the Federation of Swedish Industries it could be 22.3 billion.

The Federation of Swedish Industries came up with its higher figure on the basis of assuming a reduction in product exports and a more rapid increase in imports. The Market Institute set product exports at 131 billion kronor in 1980 while the Federation of Swedish Industries set it at 126 billion. The corresponding figures for imports are 135 and 137 billion kronor respectively.

## Private Buying Down

The Federation of Swedish Industries also scaled down expectations with respect to gross national product (GNP), the total production of goods and services, as well as private consumption.

The LO fall report, which largely agreed with the revised national budget from the spring, set the 1980 GNP increase at 3.2 percent and the rise in consumption at 2 percent.

The Federation of Swedish Industries estimated the GNP increase at 2.6 percent and the consumption increase at 1 percent, or almost nothing.



The consumption figures for gainfully-employed workers came close to indicating a decline.

But with regard to the direction of movement there is no difference between the Federation of Swedish Industries' report and evaluations issued earlier this fall: 1980 will be a worse year for Swedish business and the Swedish economy as a whole than the relatively comfortable year of 1979.

With regard to growth in 1979 the federation estimated a slightly higher figure than that in the revised national budget: a GNP increase of 4.2 percent compared with 4.1. Industrial production and deliveries have continued to rise throughout the year for both the export and domestic markets and order volume is normal.

#### Oil Prices

So far the current situation looks somewhat bright. But the Federation of Swedish Industries is predicting a halt in production growth as early as the beginning of next year.

This estimate in turn is based on what is expected to happen in the outside world. Oil price increases mean a restriction of buying power in western industrial nations--less money will be left over for buying other things besides oil--along with harder inflationary pressures.

In one country after another governments are deciding to combat inflation and reduce deficits in state finances and foreign trade through stiff money and finance policies. They are determined to let consumers bear the burden of oil price increases.

The Federation of Swedish Industries believes that these policies will have an effect. The inflation rate can be expected to decline gradually during 1980. But the result will also be reduced demand and growth.

#### Pessimism

With that outlook the federation views international market developments more pessimistically than several other analysts at home and abroad. The authors of the report do not share the hopes that a weaker demand in the United States will be counterbalanced by a higher tempo in West Europe, especially in West Germany.

Thus there will be a fairly uniform weakening of the international market--which will hit Sweden even harder. It is against this background that the Federation of Swedish Industries has scaled down its expectations for 1980.

Even so it should be possible to keep industrial production at the level achieved for most of the year after it levels off. This would mean that industrial production in 1980 will be 3 to 4 percent above the 1979 level.

But with the big budget deficit and the foreign trade deficit we are starting off with it is vital to cut back and make a determined effort to increase industrial investments and maintain and improve our competitiveness.

To achieve this goal, reason the economists of the Federation of Swedish Industries, both spending in the public sector and private consumption must be restrained. Otherwise catastrophe lies just around the corner, in other words in 1981.

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CSO: 3109

## RENAULT TO BUY INTO VOLVO CAR INDUSTRY

Stockholm DAGENS NYHETER in Swedish 20 Dec 79 p 30

[Excerpt from an article by Henric Bergstrom]

[Excerpt] Geneva, 19 Dec--There won't be any secrets between Volvo and Renault when it comes to development and manufacturing of passenger cars. So said Volvo company head Pehr G. Gyllenhammar when he and Renault chief Bernhard Vernier-Palliez signed the cooperative agreement between the two auto firms in Geneva on Wednesday.

Gyllenhammar conceded that the cooperation could result in the car models resembling each other closely in the future. They will differ mainly in external details and in the way they are marketed.

The important thing is not what appears in the agreement but the future determination of both sides to cooperate, said the two company leaders who repeatedly praised each other's wisdom, drive, intelligence, creativity, etc., etc.

## Ten Percent

These are some of the concrete items in the agreement:

1. At the end of the year Renault will purchase 10 percent of the Volvo passenger car company for 170 million Swedish kronor. This share can be increased to 15 and then 20 percent in 1981 and 1985-86 for another 160 million kronor in all. However this last sum will be obtained at the end of the current year in exchange for convertible loans.
2. The manufacturing of car parts and the sales company will not be included in the jointly-owned passenger car company. This means for example that the motor factory in Skovde and the gear box factory in Koping will in the future be owned directly by Volvo's all-Swedish parent company. About 24,000 people will be working for the joint company at such places as the Torslanda plant in Goteborg, the Kalmar, Olofstrom and Dalsland factories, most of the Belgian factory, etc.

3. Volvo will buy itself into a financing firm, Renault Acceptance which finances all foreign sales. Volvo has an option (right to negotiate) on 10 percent of the company and can later increase this share to 20 percent.

The conditions for Volvo's partial ownership are still not clear, the two company leaders stated.

#### Equals

Both sides stressed that the decision to cooperate was made between two equally valuable parties, Renault which manufactured close to 2 million cars this year, mostly smaller sized cars, and Volvo which produced less than 300,000 cars, mainly larger models.

Neither side can force any kind of measure on the other; on the other hand openness between them will be almost total. Cooperation will apply to development, deliveries between the partners of car parts manufactured in large quantities and also mutual investments. But there will be stiff competition between them out on the sales market, according to both Gyllenhammar and Vernier-Palliez.

Gyllenhammar called the whole thing an alliance, his French colleague drew historical parallels with the Vikings and was convinced that Volvo had the same drive but with more modern working methods.

Renault is totally owned by the French state since de Gaulle confiscated the firm after its collaboration with the Germans during World War II.

About 5 percent of Volvo is state-owned through the fourth AP [Swedish National Pension Insurance] Fund.

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## VOLVO STANDS TO GAIN A LOT FROM RENAULT DEAL

Stockholm DAGENS NYHETER in Swedish 23 Dec 79 p 22

[Commentary by Lars Ramklint]

[Text] If one takes the best parts of the regrettably broken Volvo-Saab and Volvo-Norway agreements and puts them together one will come close to what Volvo obtained in the Renault agreement.

Volvo has substantially improved its chances of remaining as a manufacturer of passenger cars into the 1990's.

Volvo has assured itself of several lines of action with regard to the future of the passenger car sector.

The advantages of the Volvo-Renault agreement can be described in various ways depending on whether one chooses to view the problems of passenger cars optimistically or pessimistically.

An optimist would point out that the unique cooperative agreement with Renault will substantially improve Volvo's conditions for coping with the demands of the 1980's and insure Volvo's future as a manufacturer of passenger cars into the 1990's.

A person with a more pessimistic view of the future opportunities of the auto industry could say that with this deal Volvo is reducing its risk index. A fifth of the passenger car involvement will be transferred to Renault at a good price. And in the long run there is a possibility that Volvo could reduce its share even more even though this was not discussed in this round.

## Equals

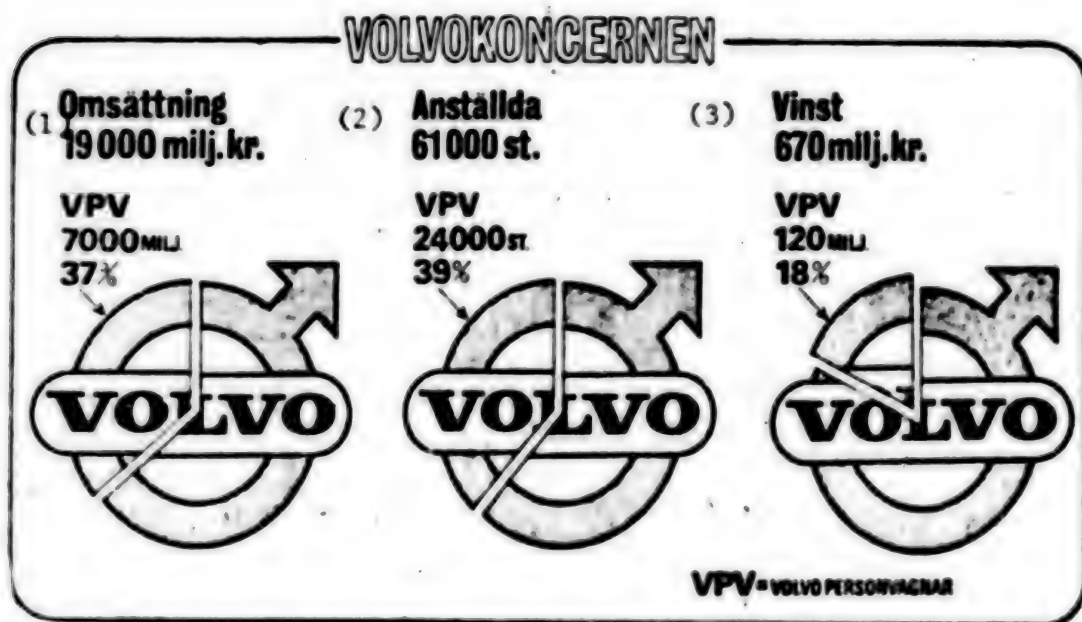
The Renault agreement resembles the Saab-Scania deal in that through cooperation the two car companies will reduce the development costs of



both partners. The difference is that Renault is a much larger car manufacturer than Saab-Scania. Despite the fact that Renault turns out 5 or 6 times as many passenger cars a year as Volvo the agreement assumes cooperation between two equal partners.

Since Volvo cannot reasonably be expected to have development resources on a level with Renault's this must be taken as recognition of the fact that the Renault people give high marks to the quality of Volvo's quantitatively smaller contribution to the joint development effort. Safety factors have been mentioned specifically but it was probably also important that Volvo complements Renault since the major emphasis of the Volvo line does not overlap Renault's.

In the prestige class which includes Volvo's 240 and 260 models Renault is at a numerical disadvantage as well.



Volvo Concern

Roughly a third of the sales but a scant fifth of Volvo's 1978 profits came from the part of the firm bought into by Renault. (Sketch: Rune Almqvist)

Key:

1. Sales, 19 billion kronor; 7 billion from VPV [Volvo Passenger Cars]
2. Employees, 61,000; VPV, 24,000
3. Profits, 670 million kronor; VPV, 120 million



Renault will only partially own the manufacturing branch of Volvo Passenger Cars (VPV). The company will buy components in roughly equal amounts from the Volvo concern's components company and outside manufacturers, including Renault. All sales will be handled through the totally owned Volvo Company. (Sketch by Lennart Lindgren)

**Key:**

- |                                      |  |
|--------------------------------------|--|
| 1. Volvo components                  | 4. Electrical equipment, upholstery, tires, etc. |
| 2. Transmissions, motors             | 5. Volvo Passenger Cars                          |
| 3. Subcontractors, including Renault | 6. Volvo Sales                                   |

**Aluminum**

In the Norwegian agreement the Volvo management sought among other things to form contacts with the Norwegian aluminum industry with the intention of getting assistance in developing the lighter passenger cars of the 1950's. Renault is probably the world's most experienced car industry when it comes to aluminum.

The Norwegian agreement would also have meant some pulling back from the risky automobile industry. Volvo would have been less concerned with producing cars and more concerned with manufacturing components, tapping oil resources, etc. The Renault deal involves a step in the same direction but with the important difference that Volvo will not relinquish its interest in the profitable and highly competitive truck sector.

Even though the Norwegian agreement fell through Volvo has been asked to take part in oil exploration north of the 62d parallel. Services in return will contribute to the development of the Norwegian industry plus, of course, money for the entire oil drilling project. Perhaps some of

the 330 million kronor Renault will pay for its share in the passenger car company will end up in Volvo Petroleum instead.

To this extent the Renault agreement appears to have given Volvo the best elements offered by the Saab-Scania and Norwegian agreements.

#### Drawbacks

Are there no drawbacks?

The problem is that no details on the industrial cooperation have yet been made public. At the joint press conference in Geneva the written documentation amounted to no more than a single sheet of paper.

The answers given by the leaders of the firms also stopped short of giving detailed arguments for the move.

#### Holland Only

One result of this is that Volvo's right to buy into Renault Acceptance BV [expansion unknown] has probably been blown out of proportion. A closer reading reveals that this right applies to the Dutch financing company, a subsidiary of the Renault concern's financing company, Renault Acceptance. There is no explanation why Volvo should become a part owner of the Dutch company in particular. At any rate this cannot involve more than limited amounts of money, perhaps 10-20 million kronor.

It is hoped that the illustrations for this article will give assistance in understanding the possible consequences of the agreement.

They show that Renault will only be buying into a small part of the Volvo concern.

#### Less Profitable

The newly-formed Volvo Passenger Car Company accounts for roughly a third of the sales of the Volvo concern and about the same ratio of personnel. But in 1978 its contribution to Volvo profits was less than a fifth of total profits. This year the figure may be larger but the profits on passenger cars are generally lower than those on trucks and airplane motors. Volvo BM [expansion unknown] was less profitable than the passenger car division.

The main elements in Volvo Passenger Cars are the assembly plants in Torslanda and Kalmar along with factories in Olofstrom and Dalsland. The company also includes the central passenger car administration and passenger car development divisions. In addition the new company will take over Volvo's 55 percent share of the Dutch Volvo Car BV.

The Volvo Passenger Car Company (VPV) of which Renault will be part owner will buy around half its car manufacturing material from other Volvo companies, especially the motor factory in Skovde and the transmission factory in Koping. The rest will be purchased from other suppliers, Renault among them.

In the past Volvo has purchased its 340 series motors mainly from Renault and its 240 series motors from the Renault-Peugeot joint motor factory in Douvrin, France.

#### Part of the Family

Now Volvo is saying that the agreement means that it will be accepted as part of the family, enabling the firm to buy components from Renault at prices set differently than when Renault makes sales to outside customers.

This will not pose any threat to Volvo's own component firms but it will to other subcontractors.

For cost reasons the Volvo car may become a little more French even before the joint development effort has an effect on the choice of suppliers.

#### Selection Opportunities

One of the advantages of working with Renault is expected to be greater opportunities for Volvo to make selections from the entire line of Renault motors, for example. Since the companies have pledged complete openness with each other Volvo will know earlier than it used to which new components are in the process of being developed.

It is not certain whether the same openness will apply to customer relations in general, for example the relationship between Volvo and Volkswagen with regard to diesel motors. Pehr Gyllenhammar told DAGENS NYHETER that it would now be more natural to choose the Renault diesel instead of the Volkswagen models for the Volvo diesel-powered car.

The illustration also shows that deliveries from VPV will go exclusively to totally-owned Volvo companies, such as Volvobil in Sweden, Volvo Europa for the EEC market, Volvo USA, etc. It was also emphasized that Volvo had let Renault in on a limited sector, production.

#### Competitors

The idea is that Volvo and Renault will continue to compete on the market just as they have always done. The firms said that even if they

work together on technical solutions the models they offer customers can be quite different. Each firm will design the exteriors of its own cars and each firm will determine the equipment for its own line. The retail sales networks, guarantees and service are other factors that will distinguish the products.

As I see it the agreement with Renault puts the accent on certain lines of action for Volvo.

#### Little Brother

Volvo is taking the consequences of its role as little brother among the big international car industries and is working on the assumption that it is neither necessary nor desirable to do everything alone. The buy it or make it choice is made deliberately all the way from the development stage to the finished product.

Volvo is not inferior to its competitors as a manufacturer of high-quality transmissions and engines, for example. The cooperation with Renault would make it possible to specialize. Swedish transmissions for French engines in Swedish cars.

Volvo sees itself as a strong marketing firm.

Volvo's international market organization should remain successful even if the product becomes less Swedish. It is not Swedish quality that sells Volvos. Volvo has acquired a market segment in which it remains strong even when the car being sold is made in Holland with a French engine (the 340).

In conclusion, a few words on the stock market's reaction to the Renault deal.

It has taken a cautious wait-and-see attitude. Volvo--like car firms around the world--has a low rating with regard to profits and yields today. The reason is concern about the future. The concern primarily involves passenger cars. Volvo has now reduced its risk in that sector. Other things being equal that should lead to a higher rating of its other activities.

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CSO: 3109



MILITARY DEPARTMENT CHIEF SCHLUMPF INTERVIEWED

Zurich DIE WELTWOCHTE in German 21 Nov 79 pp 4, 5

[Interview by Rudolf Baechthold and Ulrich Kaegi: "Foot Race to Bern--Federal Council Candidate Leon Schlumpf Talks with DIE WELTWOCHTE"; date and place of interview not given]

[Text] Three candidates are in contention to succeed retiring Defense Minister Rudolf Gnaegi [Bern, SVP). There is no argument that the Swiss People's Party (SVP) is entitled to the post. The following are the registered candidates: Government and National Councilor Werner Martignoni, PhD in Economics (SVP Bern); Cantonal Representative Leon Schlumpf, LLD (SVP Graubunden); Government and National Councilor Hanspeter Fischer (SVP Thurgau). On 5 December, elections will take place in the Joint Federal Assembly (National and Cantonal councilors).

[Question] Federal Councilor Rudolf Gnaegi is considered to be an avowedly conservative SVP member. You, Herr Councilor, have been called a left-wing SVP member. If you were to enter the national government, would this entail a decisive change in the center of gravity?

[Answer] There can be no question of that. The overall attitude of the Federal Council is determined by seven people. It matters little whether one individual has progressive or conservative tendencies.

[Question] How do you perceive yourself within the political spectrum?

[Answer] Still as a Graubunden democrat. I consider myself a progressive liberal, as Graubunden democrats have been for decades. There has been no change in this since the BGB [Farmers, Artisans and Citizens Party]-SVP merger in 1971.

The terms "left" and "right" are quite relative, by the way. In the Canton of Graubunden no one would classify me as being on the "left." To be sure,

I am not very tradition-oriented; I always attempt to face new situations with an open mind and I am not afraid to enter on unconventional paths.

[Question] Would you accept the label "progressive pragmatist?"

[Answer] I am glad to be called "progressive"; "pragmatist," less so. For I am a strong advocate of basic concepts. This means, on the one hand oriented toward the constitutional state and therefore loyal to the constitution. On the other hand, in the area of economics, a conviction that a free economy offers the best potential for development and also the most stable base for our social welfare state. From the political standpoint it means that there is no better form of government than democracy. I try never to lose sight of these elementary guidelines when passing judgment on any subject.

[Question] You are considered to be unquestionably in favor of a complete revision of the federal constitution. Does that mean that with your election the constitutional draft currently before the government would get the green light inasmuch as Messrs Furgler, Ritschard and Aubert are known to be for it?

[Answer] I really do not know the status of opinions within the Federal Council on this question. Officially, no position has been announced to date. As far as my own position goes, I must make a clear distinction: I am in favor of total revision, but not of the present draft! These are two entirely different matters. As a member of Furgler's committee of experts, I had the opportunity of once again debating basic questions.

Please note: I am an advocate of a free economy but at the same time I am committed to a constitutional state and to support of the constitution. But how did we implement our economic policy during the 1970's? For practical purposes, almost exclusively with federal emergency measures--about 25 in 7 or 8 years! Some of these were even based on extra-constitutional emergency laws. Who let his warning voice in the dark be heard on those occasions? Nobody. I understand very well that action simply had to be taken. But we must nevertheless reflect on whether this state is functioning under the appropriate constitution!

[Question] But you have reservations about the present draft for a new constitution?

[Answer] Strange as it may seem, the public is still unaware of the fact that this draft was never submitted to the committee of experts for an overall vote of approval. Individual paragraphs and passages were dealt with separately with varying majorities. At the end there was no vote on whether the draft thus arrived at was acceptable, but rather whether a total revision would be advisable and whether the draft should be submitted for promulgation. There are hardly any members of the committee who would sign off on the draft without reservations. I am still in favor of total revision.

[Question] In your capacity of price watchdog, you were of course identified with emergency measures yourself. In retrospect, were your activities successful--apart from [the price of] coffee with cream?

[Answer] No doubt they were; not only, as everyone agrees, in a psychologically preventive sense, but also economically. But let me limit this statement: The effects of price control upon the economy are usually overrated; it is a mistake to give it credit for having caused the zero-inflation of that period. But your hint at emergency measures coincides with my own reservations. That is why we always acted with appropriate discretion. We attempted to arrive at cooperative, bilateral solutions rather than come crashing in with directives. The media, that is to say public opinion, were a great help in this.

[Question] In your opinion, how should the federal budget be stabilized--through cuts in spending or with higher taxes?

[Answer] Primarily, through a combination of the two. We cannot reach our objective through cuts in spending alone, nor through higher taxes alone. To economize is a valid guideline for the state as well as for the head of the family. But there are two sides to economizing. For one thing, the state should not forever be burdened with tasks which should not necessarily be handled by the state. We must admit to ourselves that during boom times we had the tendency to push tasks on up the line--be it out of laziness, or sometimes out of the desire to avoid responsibility, or on the basis of narrow vested interests. To economize means therefore also to accomplish tasks which can be dealt with at a lower level rather than to pass them on up the line.

In accomplishing the tasks (the other aspect of economizing) we must of course practice moderation. But inasmuch as here can be no question of reducing social benefits, which would be a political catastrophe, I do not believe that spending cuts alone would be sufficient. It would not amount to that much. Additional revenues would therefore be mandatory.

[Question] Is moderation to be practiced also with respect to equipping the army, which has obviously suffered some setbacks?

[Answer] Among federal objectives, defense matters as related to overall national defense occupy a key position. My valued personal freedom as well as my economic and social security are of use to me only while we remain independent. A timely and modern national defense remains therefore a primary federal objective. We are aware of the fact, however, that the share of the overall budget devoted to defense expenditures has been steadily reduced during the past few years. This must not be permitted to continue.

[Question] Would being put in charge of the Swiss Military Department (EMD) worry you?

[Answer] Not a bit. I was personally unable to follow a military career because of having been discharged as a young man as the result of a soccer injury. Later I was reinstated. I can therefore not contribute any expert knowledge. But I have no fear of the EMD. It would no doubt be a difficult job, but a good one because of that.

[Question] Are you in favor of joining the United Nations?

[Answer] Yes, but I realize that a plebiscite on this subject must not be scheduled on short notice if it is to turn out in the affirmative. A lot of information would have to be provided the public first.

[Question] As a member of the Federal Council, would you vote for keeping its promise for an Eastern Alpine railroad?

[Answer] The traffic planning commission has turned down a transalpine road. I agree with this. But for the longer term, I find an Eastern Alpine railroad to be in the national interest. For strategic reasons, too, a heavy concentration on a few traffic routes is inappropriate.

[Question] Are you in agreement with the Federal Council's policies with respect to the Jura up to the present?

[Answer] I am. I should like to ask Herr Beguelin, who recently criticized Graubunden's minority politics, what more he expects of us on the political level: Out of five members of our government, three are of Romance origin and one speaks Italian. The German-speaking majority is thus represented by only one man. But for us this is a matter of course.

As to the Jura problem: I have come out strongly in favor of establishing a canton but have always been of the opinion that the result of the overall democratic process must be accepted by all sides.

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CSO: 3103

## GNAEGI INTERVIEWED ON MILITARY DEFENSE MATTERS

Zurich NEUE ZUERCHER ZEITUNG in German 11 Dec 79 p 9

[Article by Zy: "The Forthcoming Change in EMD Leaders--Interview with Federal Councilor Gnaegi"]

[Text] Bern, 8 Dec--During the last of his usual year-end press conferences, Federal Councilor Gnaegi cited four significant weapon systems in the anti-aircraft and antitank areas as being among those pending matters which his successor would have to deal with. The key words are Tiger fighter-aircraft, Rapier air-defense system, Skyguard antiaircraft fire control equipment and Dragon antitank guided missiles. Except for the Rapier, these systems have already been introduced into the army; their procurement still poses essentially financial problems. The EMD [Swiss Military Department] budget for the next few years, which is a part of the new financial plan that the Federal Council has not yet approved in final form, will determine the order of magnitude of these procurements necessary to implement the guidelines for the 1980's, their sequence and the timing for their delivery to the units.

In a retrospective summary of his time in office in the EMD, Federal Councilor Gnaegi mentioned particularly the formulation of basic security policy guidelines, the new service regulations and the revision of the code of military justice as well as the essential improvements in defense capability to be effected by a series of armament programs oriented toward implementation of the army's guidelines for the 1980's. Work is already well in progress on the guidelines for the 1990's.

Hermann Wanner, who retired early this month as director of the Federal National Defense Office, combined his farewell to the press with a precise overview of the expansion of this key component of the Federal Council which took place under his direction and of the status of our country's national defense.

The members of the press assigned to the Federal Government House applauded the departing EMD chief for his work during his term of office, which among its other difficulties posed special problems in the public information area. They acknowledged with understanding Federal Councilor Gnaegi's remarks



on new journalistic trends, criticism caused by unpleasant experiences with blunders and indiscretions. Media practitioners are aware that there are distinctions between objective information and a journalistic "procurement of news" determined by a sales promotion or specific political objectives, not only in the case of military matters that are particularly susceptible in this regard.

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